

INTRODUCTION

The River District manager has traditionally provided the Board with a report on district activities at each of the regularly scheduled quarterly meetings in the form of a “quarterly report.” These quarterly reports go back to at least the early 1950s and provide a good historical record of District activities and priorities.

Beginning in 1997, I expanded the report using it as a means to educate board members and the public on the activities of the River District. The report is regularly posted on the River District website. In preparing the January 2002 edition, I have continued the format from 2001 which focuses on the broader water policy issues and challenges facing the River District and its constituents.

April to July 2002 Update: The April to July 2002 update in bold begins on page 21 under Environmental Issues.

BACKGROUND

HISTORY

The Colorado River Water Conservation District (River District) was created by the Colorado General Assembly in 1937. The history suggests that the River District legislation was a compromise. State legislation creating the Colorado Water Conservation Board and authorizing the formation of conservancy districts was also introduced and passed in 1937. To address the fears of West Slope legislators that the Colorado Water Conservation Board would be dominated by Front Range interests, the River District was created as an “equalizer.”

BOUNDARIES

The River District boundaries include all or parts of 15 West Slope counties and encompasses all or parts of the Colorado River mainstem, Yampa, White, Gunnison, Uncompahgre and Dolores River drainages.

Under the 1937 legislation, the River District included Summit, Eagle, Garfield, Mesa, Pitkin, Delta, Gunnison and Montrose Counties. In 1955, Grand, Moffat, Routt, Rio Blanco and Ouray Counties joined the District and in 1961, the portions of Hinsdale and Saguache Counties within the Colorado River Basin became a part of the River District.

Within Colorado, there are two other water conservation districts, the Southwestern Water Conservation District which was created in 1951 and the Rio Grande Water Conservation District, created in 1961.

MISSION AND GENERAL POWERS

The River District's general mission and powers are described in its legislative charter. The legislative declaration states:

37-46-101. Legislative declaration. "In the opinion of the general assembly of the state of Colorado, the conservation of the water of the Colorado river in Colorado for storage, irrigation, mining, and manufacturing purposes and the construction of reservoirs, ditches, and works for the purpose of irrigation and reclamation of additional lands not yet irrigated, as well as to furnish a supplemental supply of water for lands now under irrigation, are of vital importance to the growth and development of the entire district and the welfare of all its inhabitants and that, to promote the health and general welfare of the state of Colorado, an appropriate agency for the conservation, use, and development of the water resources of the Colorado river and its principal tributaries should be established and given such powers as may be necessary to safeguard for Colorado, all waters to which the state of Colorado is equitably entitled under the Colorado river compact."

The statute gives the River District broad powers to carry out its declaration. These powers are described in detail in S 37-46-107 (a) through (l). In general, the River District can appropriate water rights, litigate water matters, enter into contracts, hold real property, operate projects, etc. Paragraph (c) is particularly important because it has guided many of the District's past actions:

(c) "To make surveys and conduct investigations to determine the best manner of utilizing stream flows within the district and the amount of such stream flow or other water supply, and to locate ditches, irrigation works, and reservoirs to store or utilize water for irrigation, mining, manufacturing, or other purposes, and to make filings upon said water and initiate appropriations for the use and benefit of the ultimate appropriators, and to perform all acts and things necessary or advisable to secure and insure an adequate supply of water, present and future, for irrigation mining, manufacturing, and domestic purposes with said districts;"

BOARD OF DIRECTORS

The District's legislation states that the district shall be managed and controlled by a board of fifteen directors, one from each of the 15 member counties. Board members are appointed by the board of county commissioners from each county and serve three year terms. Each January five board members are up for appointment. In 2002 those counties are Mesa, Moffat, Pitkin, Routt and Saguache Counties. Additionally, after the October 2001 meeting, Director Bob Spears from Hinsdale County resigned. The Hinsdale County Commissioners will appoint a replacement.

The Board elects a president and vice president and appoints a secretary (normally the manager) and treasurer.

The Board utilizes committees as necessary. The duties of the officers and procedures for committee meetings are further described in the District bylaws.

Regular Board meetings are held in Glenwood Springs on the third Tuesday of January, April, July and

October and normally run two days. For 2001 those dates are:

January 15-16, 2002.

April 16-17, 2002.

July 16-17, 2002.

October 15-16, 2002.

The Board also holds special meetings and tours as necessary, including a budget workshop typically scheduled in mid-September.

RESOURCES

The available River District resources include its water resources (projects, contracts, absolute and conditional water rights) staff resources and budget resources.

The River District operates one project, Wolford Mountain Reservoir, located on Muddy Creek north of Kremmling. It also has contracted interests in water through its shares in Eagle Park Reservoir, the Homestake Reservoir exchange, water from the Twin Lake enlargement decree, a contract with the Bureau of Reclamation for Ruedi Reservoir water and a contracted interest in the Taylor Park Reservoir second fill.

The staff includes a manager, general counsel, water resource engineers, project caretakers and other legal and administrative support personnel.

The River District utilizes three general budgets: the General Fund budget, Capital Fund budget and Water Projects Enterprise budget. The General Fund budget covers the general administration and operation of the River District. Revenues for this fund are primarily property taxes. The District's 2001 mill levy is .283 mills. The 2002 mill levy is .253 mills. Property tax revenues for 2002 will be in the range of \$2.3 million.

Because of constitutional budget limitations (TABOR), the River District mill levy has been declining steadily; however, because of increased assessed valuations, total revenues have been going up at a modest pace. In 1996, revenue from property taxes was \$1,917,621. In 2002, the budgeted property tax receipts are \$2,363,340.

The Capital Project budget covers capital expenditures such as the acquisition of the office building and the capital grants program. Revenues for this fund are the sale of District assets, annual appropriations, interest earnings and the annual unspent balances from General Fund line items.

The Colorado River Enterprise budget covers our "business" operation of providing water. Revenues are from the Denver Water Board lease, water supply contracts and interest earnings. Enterprise expenditures are limited to those projects and prospective projects covered by the Enterprise. The Enterprise and General Fund jointly cover the costs of district personnel and board expenses on a proportional basis.

THE HISTORICAL SETTING

1937-1950s - THE EARLY YEARS

The focus in the early years was planning for the federal development of water projects on the West Slope and protecting the West Slope from transmountain diversion projects, primarily by Denver. During this period the River District was staffed by a contract engineer and a lawyer (Frank Delaney).

The River District's priorities were:

1. Participation in the negotiations that led up to the 1948 Upper Colorado River Compact.
2. Lobbying for and encouraging surveys and feasibility studies by the Bureau of Reclamation designed to identify Reclamation projects. These traditional Reclamation projects would be primarily for agricultural purposes and would encourage the settlement of the West Slope.
3. Representing the West Slope on transmountain diversion issues, primarily the litigation and negotiation with Denver that led to the stipulation and settlement of the Blue River Decree. This settlement adjudicated the rights of Denver for its Dillon Reservoir/Roberts Tunnel Project and the United States' rights for Green Mountain Reservoir and the West Slope features of the C-BT Project. Under the settlement, Green Mountain received the senior priority, but through the ability to exercise exchanges and provide power interference, Denver got enough water to make Dillon a feasible project. This period also included discussions and negotiations over the Frypan-Arkansas Project, which began as the Gunnison-Arkansas Project. These negotiations were concluded in 1959 with the Frying Pan-Arkansas operating principles which made the construction of Ruedi Reservoir as compensatory storage a part of the project.
4. Lobbying for comprehensive legislation for the development of the Upper Colorado River Basin. This effort resulted in the passage of the 1956 Colorado River Storage Projects and Participating Projects Act (CRSPA). Under CRSPA, Reclamation constructed Glen Canyon Dam, Flaming Gorge, Aspinall Unit and Navajo Reservoir. Storage in these large reservoirs is managed so that the Upper Basin states meet downstream compact requirements. Revenues from hydroelectric plants are used to subsidize the irrigation components of the participating projects.

THE LATE 1950s TO THE MID 1970s - THE FEDERAL YEARS

During this period, the primary focus of the River District was the development of the federal projects envisioned by CRSPA. Internal Colorado issues included the proposed expansion of Denver's West Slope collection system, filings for the Windy Gap Project, the 1969 rewrite of the procedural aspects of Colorado water law, and the addition of the CWCB's instream flow water rights authority.

The federal involvement included much more than the construction of federal water projects. This period saw Congress pass NEPA, the Endangered Species Act, the Wilderness Act, the Clean Water Act, the 1968 Colorado River Basin Act (which authorized the Central Arizona Project and five participating projects in Colorado) and the Colorado River Salinity Control Act.

During this period the River District staff stayed very small: a Secretary/Engineer, office manager, technician, and law firm. However, the use of contract help for engineers, public relations and lobbying increased significantly.

The River District's priorities included:

1. Adjudicating water rights for the CRSP participating projects.
2. Encouraging and assisting the formation of local conservancy districts.
3. Working with Reclamation on the development of participating projects.
4. Litigating significant federal issues, addressing such items as the filling of Lake Powell, adjudication of federal rights under the McCarran Amendment and the implementation of the Endangered Species Act.
5. Opposing in water court the expansion of Denver's Dillon Reservoir/Roberts Tunnel system. The specific projects challenged were the East Gore collection system, Eagle-Piney Project, Eagle-Colorado Project and Straight Creek Project. In response, Denver challenged and successfully knocked out several River District conditional water rights. In 1964, and again in 1977, the River District and Denver went to federal court over the interpretation of the Blue River Decree.
6. Challenging the adjudication of the Windy Gap Project. After the Colorado Supreme Court ruled that the proposed Windy Gap Project had to comply with the conservancy district statute, the Municipal Subdistrict ultimately settled with the West Slope in the 1980 Azure-Windy Gap Agreement.
7. The River District began actively cooperating with energy companies. It conducted joint studies with several oil shale companies and filed a FERC application to build the Juniper-Cross Mountain Project as a joint project with the Colorado-Ute Electric Association.
8. On the issue of instream flows, the River District went to the Colorado Supreme Court twice - and lost. First, it tried to use its own instream flow powers, 37-46-101(g), to block a potential transbasin diversion in the Yampa Basin, then it challenged the constitutionality of the CWCB instream flow statute.

THE EARLY 1980s TO 1992 - THE TRANSITION YEARS

To then Secretary/Engineer Rolly Fischer's great credit, he was one of the first to understand that the federal role in water development had fundamentally changed in the 1970s and there was no turning back the clock. The 1980s were a period of great change for the River District and western water in general. During this period, the River District sought its own independent path. The annual budget and staff increased significantly, the General Counsel position moved in-house.

The milestones included:

1. In 1982, the impact of the oil shale bust on western Colorado, environmental and federal agency opposition primarily due to endangered fish concerns, and building local opposition killed the Juniper-Cross Mountain Project.
2. In 1982, the Municipal Subdistrict proposed building a multi-billion dollar pumped storage project as a way to satisfy its obligation to build Azure Reservoir. Azure is located on the mainstem of the Colorado River in Lower Gore Canyon, downstream of Kremmling. The River District, Middle Park Water Conservancy District and Grand County objected. The parties ultimately negotiated the Azure-Windy Gap supplemental agreement. Under this agreement, the Municipal Subdistrict paid the River District \$10.2 million, which was used to help fund the construction of Wolford Mountain Reservoir.
3. Water rights litigation with Denver continued through most of the 1980s. After a Special Master and the Division 5 water judge ruled that Denver Water did not have the authority to appropriate water for use outside its boundaries for the four West Slope projects (East Gore, Eagle-Piney, Eagle-Colorado and Straight Creek), the Colorado Supreme Court overturned this decision, except for East Gore, where the court ruled that Denver never established an intent to appropriate. The Supreme Court remanded the case back to the water court to determine the appropriation based on Denver's contracts and agency relationships at the time of the appropriations.
4. In the early 1980s, the River District Board and staff actively participated in Governor Lamm's Metropolitan Water Roundtable and the Denver system wide/Two Forks EIS process.
5. In 1985, Summit County and Denver reached an agreement where Denver agreed to provide water for snowmaking and municipal purposes in Summit County. Denver agreed to subordinate recreation on Two Forks to Dillon Reservoir and agreed to Dillon Reservoir elevation targets during the summer season. In return, Summit County agreed to actively support the federal permitting of Two Forks Reservoir and issued Denver a 1041 permit for the Straight Creek Project.
6. In 1986, the River District, Denver Water, the Northern Colorado Water Conservancy District and its Municipal Subdistrict signed a MOU settling the remand case. Under this MOU, the River District agreed to decrees for Eagle-Piney, Eagle-Colorado and Straight Creek Projects and not to oppose the permitting of Two Forks Reservoir. In return, Denver agreed to the concept of attempting to build the Green Mountain Pumpback Project before proceeding with the Eagle-Piney or Eagle-Colorado Projects. Denver also agreed to subordinate its Eagle-Colorado Project to West Slope uses (if ever built) and to a 25-year lease from Wolford Mountain Reservoir. Denver wanted a 25 year lease to use Wolford as an interim water supply until Two Forks Reservoir was constructed (a 15 to 20 year process). The concept behind the Wolford lease is that Denver uses this water as a substitute for the water Dillon Reservoir owes Green Mountain Reservoir in those very dry years (about 1 in 7) when Green Mountain Reservoir does not fill by natural inflow originating between Dillon and Green Mountain Reservoir. The Secretary of the Interior(delegated to Reclamation) must approve of each substitution.

7. In the mid 1980s, the relationship between the River District and Summit, Eagle and Grand Counties was often strained. The River District and Summit County had different views on the need for and interpretation of the Summit County agreement. Eagle County was upset with the River District's lack of involvement in the Homestake II Project (the River District neither supported or opposed Homestake II) and Grand County was left as the only West Slope front line entity opposing Two Forks.
8. Denver complicated the situation in 1988 by filing for water rights to implement the Green Mountain Pumpback Project and the Woford Mountain substitution. While acknowledging the pumpback as a part of the 1986 MOU, the River District took the position that the 1988 exchange filing was premature and unnecessary. The exchange application was opposed by numerous West Slope entities and raised a number of unresolved river administration issues. The United States filed a competing application to adjudicate exchange rights for West Slope users of Green Mountain Reservoir. Denver's applications were dismissed, except that its "refill" right for Dillon Reservoir was decreed. The U.S. application was decreed.
9. In 1990, the EPA vetoed the Two Forks Project. The veto left Denver with a Woford (then referred to as Rock Creek) lease that it could not use. Ultimately, in 1992 Denver, the United States, the River District and other West Slope parties reached a comprehensive agreement that settled the Green Mountain exchange case, amended the Woford lease to give Denver a permanent 40% interest in Woford Mountain Reservoir (for an annual lease that provides the River District \$3 million/year through 2019), allowed for the acquisition of Clinton Gulch Reservoir by Summit County (the River District provided \$4 million toward the acquisition), and provided 920 a.f. of water through Denver's Moffat system to the Fraser River Valley in Grand County.
10. The final legal challenge to the construction of Woford Mountain Reservoir was addressing concerns in the Grand Valley with the impact of the Woford Mountain substitution on salinity levels in the Colorado River. This issue was settled through what we refer to as the Palisade stipulation. Under this agreement, Denver agrees to sequence a Woford substitution by using Williams Fork water during the critical irrigation season. In hindsight, actual salinity levels at Woford Mountain Reservoir are much lower than the "modeled" levels predicted prior to the construction of the reservoir.
11. The 1980s were also an active period for the Gunnison River Basin. Taylor Park Reservoir, located on the Taylor River upstream of Gunnison, was constructed by the Bureau of Reclamation in the late 1930s as a late season water supply for the Uncompahgre Project. After the completion of the Aspinall Unit in the 1970s, the Upper Gunnison River Water Conservancy District, Uncompahgre Valley Water Users Association, River District and the Bureau of Reclamation entered into the 1975 Taylor Park exchange contract. This agreement allows Taylor Park operations to benefit irrigation and recreation uses in the Upper Gunnison Basin. In the mid 1980s, Upper Gunnison filed for second fill rights at Taylor Park to adjudicate its benefits under the 1975 exchange. In a landmark case that went to the Supreme Court, Upper Gunnison ultimately received the rights which were subsequently conveyed to the United States in a 1991 agreement. The Taylor Park second fill right is considered groundbreaking because it recognized that water can be stored in a reservoir and subsequently released to optimize instream recreation and environmental benefits.

12. In 1986, two new applications were made for transmountain diversion projects out of the Gunnison River. Aurora filed for, then ultimately dropped, an application for its Collegiate Range Project. NECO, a private company, filed for the Union Park transmountain diversion project. In 1988 Arapahoe County bought out NECO and refiled the application. The Union Park case went to the Supreme Court twice. The application was eventually denied based on water availability.
13. In the late 1980s, the River District began investigating alternatives for its Juniper-Cross Mountain rights. In 1989, then Department of Natural Resources Executive Director Chips Barry suggested the River District utilize the rights for instream flow purposes to support the Recovery Program.
14. Throughout the 1980s, federal issues remained very controversial. The River District and other water users first adopted a strategy of trying to amend or repeal the ESA. This approach was not successful, so Colorado water organizations organized to negotiate a programmatic approach to recovering the four native fishes listed under the ESA. This led to the signing of the Upper Colorado River Basin Endangered Fishes Recovery Program MOU in 1988. By the early 1990s the River District was expending considerable staff resources to follow and participate in Recovery Program activities.

1993 TO 1999 - MATURATION

The current era began about 1993 with the final approvals for construction of Woford Mountain Reservoir. Actual project construction began in August 1994 and was completed in 1996. During this period, the River District staff continued to expand. Additionally, the River District matured as an organization. The Board adopted formal employee guidelines and policies, Rolly Fischer (Secretary/Engineer from 1968) retired in 1996, and in 1997 there was a significant turnover of board members.

1. The Board formalized its Water Projects Enterprise as a government “business” providing long- term water contracts.
2. The Board adopted a water marketing policy and made 10,000 a.f. of Woford Mountain yield available for long- term contracting.
3. The River District convened the Eagle River Assembly (ERA). Ultimately the ERA process led to the 1998 Eagle River MOU. Under the Eagle River MOU, the Homestake II sponsors, Colorado Springs and Aurora, agreed to abandon their plans to build the controversial Homestake II Project and explore alternative projects more acceptable to the Eagle River Basin. The Eagle River MOU set the stage for Vail Associates, Upper Eagle Regional Water Authority, Eagle River Water and Sanitation District and the River District to establish the Eagle Park Reservoir Company and use it to purchase Eagle Park Reservoir (a reclaimed tailings pond) from Climax Molybdenum Company. The River District owns shares for 200 acre feet of Eagle Park Reservoir water and another 100 a.f. of Homestake Reservoir. The Eagle River water is marketed through the Enterprise.
4. Recovery Program issues remained a high priority.

- In 1996, the CWCB filed for base flow and peak flow water rights in the Yampa River below Craig and the 15 Mile Reach of the Colorado River. These filings triggered significant West Slope opposition and a renewed interest in the Recovery Program.
- In 1997, controversy over the CWCB filings, the concept of “sufficient progress” and proposed federal legislation authorizing the Recovery Program led to the discussions and negotiations that resulted in the December 1999 15 Mile Reach Programmatic Biological Opinion (PBO). The PBO was a new concept that in theory provides more certainty for both the U.S. Fish & Wildlife Service and for water users. The basic concepts of the 15 Mile Reach PBO are:
 - a. Covers all existing depletions (about 1,000,000 a.f./year on average, 1,200,000 a.f./year on maximum), plus an increment of new depletions (60,000 a.f./year increasing to 120,000 a.f./year depending on fish response).
 - b. The PBO was actually a specific biological opinion on five Reclamation projects with the non-federal projects considered “interrelated and interdependent.”
 - c. For the first time, the PBO covered section 9 incidental take issues.
 - d. The biological opinion includes specific biological criteria that will trigger a reopening of the opinion. If the opinion is reopened, the U.S. Fish & Wildlife Service first reopens new uses, then existing uses (as of 1995).
 - e. The opinion requires new beneficiaries to sign recovery agreements and asks historic beneficiaries to sign the same agreement.
 - f. The PBO requires a number of specific actions. Many have not been completed yet: a “CFOPS” project to enhance spring peak flows; legal protection of reservoir releases, implementation of the Grand Valley Water management contract; a permanent source of 10,825 a.f. of water for delivery to the 15 Mile Reach; an interim contract for 10,825 a.f. of Ruedi Reservoir water (through 2012).

Upon completion, the River District Board supported implementation of the 15 Mile Reach PBO and signed an interim (through 2010) contract delivering 5,412.5 a.f. of Wolford Mountain water to the 15 Mile Reach. The Board also requested that the Recovery Program complete equivalent PBOs in other basins. The River District has not considered signing a recovery agreement until these other PBOs are complete.

5. Recovery Program Policy.

During the negotiations of the 15 Mile Reach PBO, the River District adopted a Recovery Program policy. Much of the policy dealt with the CWCB instream flow rights filed in support of the Recovery Program. These filings have been withdrawn. Other elements of

the policy addressed good science (which has led to independent research sponsored by the River District), fair coverage of all the basins by the Recovery Program and equity between in-basin and transbasin projects for meeting endangered fish needs.

6. Transmountain Diversion Issues.

After the Two Forks veto, the State of Colorado took the initiative to get the process moving again. The state sponsored the Metropolitan Water Supply Investigation (MWSI). MWSI focused on four non-traditional water supply options: project integration, effluent reuse, interruptable supply contracts and groundwater-surface water conjunctive-use. A final report was issued in 1998. The report concluded that, in general, metro area water supplies were adequate to meet demands through the year 2020. The report recommended further work on effluent reuse, up to 100,000 a.f. of supply is available for future use. It also recommended conjunctive-use be further explored.

The Denver Water Board changed its planning philosophy. It prepared an Integrated Resource Plan (IRP) designed to meet the water needs of Denver, its distributors and fixed contracts through 2045. Denver adopted a policy of working on cooperative projects with other metro water suppliers, but it decided not to build projects “for” these suppliers as it had planned with Two Forks.

In 1998, the River District, working in cooperation with the Northwest Colorado Council of Governments (NWCOG), Quantity-Quality Committee (QQ), Denver Water and others began the Upper Colorado River Study (UPCO). Also in 1998, the River District Board and the Denver Water Board approved a joint resolution which led the Douglas County Water Resources Authority Study.

In 1998, the Southeastern Colorado Water Conservancy District began a programmatic study of water needs in the Arkansas River Basin by initiating the Arkansas Basin Storage Needs Assessment Study.

The Northern Colorado Water Conservancy District expanded its municipal system by building the Southern Supply Pipeline Project. This pipeline delivers C-BT Project water into the Northern Metro area; Broomfield, Louisville and Fort Lupton. Northern’s policy does not allow C-BT water south of the Boulder County line, but Thornton has acquired large amounts of non-C-BT water from Northern farmers. Thornton won a critical court case allowing transfer of this water to Thornton, but has not started the project construction.

YEAR 2000 & 2001 - HIGHLIGHTS

Last year was a very busy and productive year for the River District.

- 1.** In 2000, the Colorado Supreme Court upheld the water ruling denying Arapahoe County’s water rights application for the Union Park Project.

There were no new filings for transmountain out of the Gunnison Basin in 2001, however the filing by the United States to quantify the Black Canyon Reserved Right has triggered

a letter from Front Range entities (and one letter signed by three Front Range Congressmen) expressing an interest in obtaining contract water from the Aspinall Unit marketing pool.

2. In 2000, the Bureau of Reclamation, the River District and the Upper Gunnison River Water Conservancy District entered into a formal subordination agreement to document the subordination of the Aspinall Unit rights to 60,000 a.f./year of upstream in-basin depletions.

In 2001, the River District and Upper Gunnison completed the first annual report required by the subordination agreement. During the process of preparing the annual report, we discovered that there are about 400 undecreed diversions (or enlargements to diversions) above Crystal Reservoir.

3. In October 2000 the River District sent letters to the State Engineer and Bureau of Reclamation on the operation of the Colorado-Big Thompson Project (C-BT). The letter to Reclamation expressed concerns that the C-BT Project was not fully utilizing the project's East Slope decrees, that the operation of the non-charge program was both illegal and wasting water and that the operation of the C-BT Project was not in compliance with the Endangered Species Act (ESA). Both the State Engineer and the Bureau of Reclamation have now responded. In May 2001, State Engineer Hal Simpson responded to the River District's concern that under the non-charge program, West Slope water was not being diverted for beneficial use on the East Slope. The essence of the SEO's response is that while the non-charge water may have been delivered out-of-state in the past, it is not happening "under my watch."

In October 2001, Reclamation through Regional Director Maryanne Bach, responded that the non-charge program was not "unlawful" under federal law and that it was up to the Northern Board as to how project water should be delivered to the District's end users.

In November 2001, the Coordinated Facilities Operations Study (CFOPS) consultant working under a contract with the CWCB, concluded that Reclamation could accomplish the CFOPS goal without impacting project deliveries. This conclusion confirmed the results of the Helton study completed in October 2000.

4. In 2000, the River District, Summit County and Denver Water entered into a "standstill" agreement giving Denver a diligence decree on its Roberts Tunnel system while preserving Blue River Decree issues such as the decreed limitation on use of Blue River water in the Denver "metropolitan area." The standstill period is three years (until November 2003) which should be sufficient time for the completion of the Upper Colorado River Basin (UPCO) and Douglas County Resources Authority (DCWRA) studies.

In 2001, the standstill period continued. The UPCO and DCWRA studies have been moving forward, but slowly. Toward the end of 2001, Denver Water and Hydrosphere Inc. completed the UPCO model baseline runs which will be an important analytical tool in developing an Upper Basin strategy. For most of 2001, the DCWRA study was bogged down on difficult groundwater modeling issues. The River District has hired an independent groundwater engineering consultant to help us with the "peer review" process.

5. In 2000, the Southeast Water Conservancy District completed the Arkansas Basin Storage Needs Assessment Study. The study recommends reoperation of the Fry-Ark Project East Slope reservoirs, providing more storage for municipal storage. It also recommends the enlargement of Pueblo Reservoir and Turquoise Reservoir as the next phase.

In 2001, Southeast moved forward with its efforts to reoperate the Fry-Ark Project and enlarge the capacity of Turquoise and Pueblo Reservoirs. This approach is now referred to as the Preferred Storage Options Plan (PSOP). Southeast has proposed federal legislation authorizing Reclamation to conduct feasibility studies on enlarging the two reservoirs. This proposed legislation was delayed over a dispute with Aurora. Southeast also filed in the Division Two Water Court for conditional water rights to enlarge the storage at Pueblo and Turquoise Reservoirs. The River District filed a statement of opposition.

6. In 2000, the River District, in cooperation with the Ruedi Water and Power Authority and the Roaring Fork Conservancy began the Ruedi Futures study. The 2000 effort was a study of the regional and economic benefits of Ruedi Reservoir and the Fryingpan River. In 2001, we shifted the study emphasis to fishery issues on the Fryingpan River.
7. The water marketing program continued to operate smoothly. In 2000, the Enterprise received its Ruedi contracts (totaling 1,200 a.f.). The Enterprise Board also reached agreement with the Basalt and West Divide Conservancy Districts addressing the marketing of wholesale water in these districts. In 2001, we continued processing contracts at a moderate rate.
8. In 2000, the River District Board adopted a transmountain diversion policy. The policy emphasizes better management of existing Front Range water supplies and the reuse of transmountain effluent and return flows. Denver Water received its federal permits and began detailed design of a non-potable reuse project. In 2001, Denver Water broke ground on actual construction of the re-use project which when completed, will deliver up to 16,000 a.f./year of non-potable water. In 2001, the City of Aurora began construction of a smaller re-use project.
9. In 2000, the River District Board adopted a water quality policy. The River District participated in a number of important Colorado Water Quality Control Commission proceedings.

In the summer of 2001, the River District participated in the triennial hearing process for the Lower Colorado River Basin (which includes the White, lower Yampa and lower Gunnison Rivers). We were encouraged by the success of our efforts, however we also recognize that water quality matters have the potential to require large staff and budget resources.

10. The River District participated in discussions on a Yampa River Programmatic Biological Opinion (PBO). In late August 2000, the parties reached a conceptual agreement on a Yampa Basin management plan that will serve as a basis for the PBO. The plan includes the acquisition by the U.S. Fish & Wildlife Service of 7,000 a.f. of reservoir water for augmentation purposes, of which 3,700 a.f. would come from an enlarged Elkhead

Reservoir. The plan contemplates enlarging Elkhead by a total of 8,000 a.f. with the additional 4,300 a.f. available for future human uses.

The Yampa Plan continued into 2001. The U.S. Fish & Wildlife Service issued the detailed “draft plan” report and held NEPA scoping meetings. The River District and the City of Craig began negotiations on an Intergovernmental Agreement (IGA) outlining the process for moving forward the NEPA process on Elkhead enlargement and if the permits are received, the actual enlargement.

11. In 2000, the River District began participating in early discussions on a Gunnison Basin PBO. These discussions were put on hold in 2001 after the United States filed an application to quantify its reserved right in the Black Canyon National Park. We had some preliminary technical meetings to discuss the Park issues, but “progress” on the case was very slow. In fact, by the end of 2001, the courts had not yet decided whether venue for the Black Canyon case would be in Division 4 or Division 5.
12. In 2000, Denver Water completed a reconfiguration study on its Eagle River rights. In 2001 we held a meeting among Denver and the Eagle River MOU parties to discuss whether or not, and if so, how to bring Denver into the Eagle River MOU.
13. Hydrologically, both 2000 and 2001 were dry years. The 2000 snowpack and runoff were only “moderately” dry ($\geq 90\%$ of average). However, the summer and fall of 2000 were very dry resulting in large releases from basin reservoirs. The dry soil conditions from 2000 carried forward into 2001.

The 2001 snowpack was again only moderately dry (85 to 90% of average), but actual runoffs were far below the projections. For the first time since the completion of construction, Wolford Mountain Reservoir failed to fill reaching approximately 63,000 a.f. (full is 66,000 a.f.) Additionally, for the first time since 1994 (and only the fourth time in 25 years), Green Mountain Reservoir did not reach a Blue River fill - resulting in a substitution (8,500 a.f.).

The summer of 2001 brought average rainfall, but going into the 2001-2002 winter season soil conditions are very dry and reservoir levels are lower than average. The 2001 substitution triggered interest by Colorado Springs in a substitution agreement (similar to what Denver has with its Wolford supplies).

14. At the federal level, in 2000 Congress passed the Federal Recovery Program funding legislation. Congress also passed the Colorado Canyons Bill which designated BLM areas west of Colorado National Monument as a conservation area and designated these as the Black Ridge Wilderness Area. The wilderness area is important because it designates a downstream BLM wilderness area including the mainstem of the Colorado River and does not include a federal reserved water right. In 2001, Representative McInnis introduced legislation designating Deep Creek as a wilderness area.

At the state level, the 2000 Colorado General Assembly considered, but rejected, legislation that would direct the CWCB to build a 120,000 a.f./year transmountain diversion out of Water Division 4 (Gunnison River) or Water Division 5 (Colorado River). It also rejected

legislation to expand the makeup of the CWCB to include more representatives from the Front Range. In November 2000, Colorado voters rejected an initiative that would have significantly reduced River District tax receipts and one which would have imposed growth measures on most counties.

In 2001, the State Legislature passed legislation regulating recreation in-channel diversion water rights (RICDs). The concept and debate over RICDs arose out of the Fort Collins boat chute case in the early 90s, laid dormant for awhile, then erupted again after a filing by Golden on Clear Creek. There are three separate West Slope RICD applications pending by Vail, Breckenridge and Aspen. Later in 2001, the CWCB held rulemaking hearings implementing the legislation.

- 15.** Through 2000 and 2001 there was significant progress on Colorado River and interstate matters. In 1999, Secretary Babbitt announced that the Department of the Interior (Interior) would develop and adopt interim surplus/shortage criteria for the operation of Lake Mead. These criteria determine whether a normal, surplus or shortage year is declared and the amount of the surplus. Associated with the operating criteria, California, the other six basin states and Interior negotiated the basics of a California 4.4 plan. The purpose of the 4.4 plan is to reduce California's normal year use from its current 5.2 million acre feet per year to the 4.4 million acre feet level. Reducing California's use to 4.4 million acre feet requires a significant amount of current agricultural water use to be transferred to municipal uses. In September 2000, the seven Basin States reached a "consensus" on surplus/shortage criteria. In December 2001, Interior published the Final Environmental Impact Statement on the criteria identifying the seven-state consensus criteria as the preferred alternative.

In early 2001, Secretary Babbitt formally approved the interim operating criteria. Secretary Babbitt's successor, Gale Norton, has affirmed the Bush Administration's commitment to implementation of the Babbitt interim operating criteria.

At the 2001 Colorado River Water Users Association meeting, Assistant Secretary Bennett Raley reinforced the Bush Administration's message that California needs to get on with the implementation of the 4.4 agreement.

In 2001, environmental issues on the Colorado River Delta in Mexico continued as a major issue for resolution. The Bush Administration through Bennett Raley, has made it clear that the parties need to come up with real solutions to the delta issues, but those solutions need to be consistent with "the law of the River."

In December 2000 and throughout 2001, the River District joined forces with Denver Water, the Northern Colorado Water Conservancy District, the Southeastern Water Conservancy District, the Southwestern Water Conservation District and the City of Grand Junction to hire Jim Lochhead to continue to work on issues for Colorado. We plan on continuing the relationship with Jim throughout 2002.

- 16.** On the administrative front, in 2000 the River District purchased and remodeled the second floor of the Two Rivers Park Building. The River District had been renting portions of that same floor for the past 19 years.

In 2000, the River District completed a comprehensive staff salary survey and incorporated this data into a comprehensive staff salary plan. The plan is based on paying at the 60th to 65th percentile level based on similar Colorado water organizations. The 60th percentile level means that in comparing with 10 similar agencies, four would pay more and six would pay less than the River District.

In 2001, we had some major staff turnover. General Counsel David Hallford resigned and is working (so he claims) for the firm of Leavenworth & Karp P.C. He remains interim General Counsel until his replacement, Peter Fleming comes on board. Additionally, Dan Birch resigned as the Routt County director and became a full time staff engineer responsible for project development and planning.

CHALLENGES AND ACTIVITIES FOR 2002

THE SETTING

Colorado and the West Slope in particular, are undergoing a period of significant change and growth that began in the 1980s. From 1990 to 2000, the population of Colorado increased from 3,294,394 to 4,301,261 (a 30.6% increase). For the 2002 election, Colorado will get a seventh Congressional district. The U.S. Census Bureau has released detailed information on the State of Colorado.

The population of the 15 River District counties (not corrected for partial county boundaries):

<u>County</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>% Change 1980-2000</u>
Delta	21,225	20,980	27,834	31.1%
Eagle	13,320	21,928	41,659	212.8%
Garfield	22,514	29,974	43,791	94.5%
Grand	7,475	7,966	12,442	66.4%
Gunnison	10,689	10,273	13,956	30.6%
Hinsdale	408	467	790	93.6%
Mesa	81,530	93,145	116,255	42.6%
Moffat	13,133	11,357	13,184	0.4%
Montrose	24,352	24,423	33,432	37.3%
Ouray	1,925	2,295	3,742	94.4%
Pitkin	10,338	12,661	14,872	43.9%
Rio Blanco	6,255	5,972	5,986	-4.3%
Routt	13,404	14,088	19,690	46.9%
Saguache	3,935	4,619	5,917	50.4%
Summit	<u>8,848</u>	<u>12,881</u>	<u>23,598</u>	<u>166.1%</u>
TOTALS	239,351	273,029	377,148	57.6%

During that same 20 year period, the population of the State of Colorado increased from 2,889,964 to 4,301,261, a 48.8% increase. The six counties in the Denver Metro Area increased from 1,618,461 to 2,400,570, a 48.3% increase.

RIVER DISTRICT WATER DEMANDS

Despite high municipal growth, the demand for water supplies are relatively moderate. For mainstem Colorado River uses, water is available from the Wolford Mountain Project as well as Green Mountain Reservoir and Ruedi Reservoir. As lands are naturally converted from agricultural to municipal uses, the historic consumptive use for agriculture often exceeds the municipal use. The primary problem areas are the high mountain valleys, especially those impacted by senior transmountain diversions. In addition to consumptive demands, high mountain stream flows are often needed for water quality and minimum flow purposes. There is also an increasing demand on many western Colorado streams for recreation flows.

In 2002, the River District is working on a number of projects designed to increase West Slope water supplies:

- Phase III of the UPCO Study will propose and evaluate project alternatives to meet water needs on the Colorado River above Kremmling including the Blue River Basin.
- The Enterprise is participating in a study of alternatives to enhance the yield of Eagle Park Reservoir which could enhance the River District's Eagle River Basin water supplies.
- The River District is cooperating with the Upper Gunnison River Water Conservancy District to explore water rights augmentation needs and options above the Aspinall Unit.
- The Enterprise is beginning the process of identifying augmentation needs and options for the North Fork of the Gunnison River.
- The Enterprise is sponsoring the enlargement of Elkhead Reservoir in the Yampa River Basin, a portion of which will be used for future human uses. The Enterprise is also exploring the construction of small reservoirs targeted to improve agricultural water supplies.

In early 2001, Kerry Sundeen of Enartech, Inc. updated a Division 5 water demands study. The Enartech report suggests that the existing mainstem storage supplies available from Wolford Mountain Reservoir, Ruedi Reservoir and Green Mountain Reservoir are sufficient to meet future West Slope demands for municipal purposes and associated small industrial development. In fact, Kerry's study suggests that in the year 2025, there will still be water available for marketing from the 10,000 a.f. marketing pool in Wolford Reservoir and the 17,000 a.f. Round II marketing pool in Ruedi Reservoir. Some of the study findings and qualifications are:

1. It is difficult to predict the impact of agricultural conversions on West Slope demand. This varies from location to location. In the Roaring Fork and Eagle River Valleys, Kerry's study may overstate the demand for reservoir water.

2. Kerry did not attempt to forecast future demands for large industrial uses such as a shale oil industry or for electrical power generation. It is interesting that during the current energy “crisis”, synthetic fuels are not on the table. Further, there have never been any real plans for additional electrical generation plants (coal or gas) along the I-70 corridor. However, our largest current customer of Woford water is an industrial user.
3. Much of future West Slope municipal growth is expected to occur in Mesa County. However, supporting this growth will not require much upstream mainstem reservoir storage. Grand Junction diverts from the Gunnison River. Ute Water has existing storage on Plateau Creek and its senior rights benefit from Green Mountain releases and Clifton has mainstem direct flow rights that require little or no upstream storage releases.
4. The main area where Kerry may underestimate the potential demand for West Slope storage water is in supporting the creative exchanges that will be necessary to provide water in the Blue River and Fraser River Basins where existing water supplies are already fully appropriated.

FRONT RANGE WATER DEMANDS

Addressing Front Range water demands will be one of the most challenging tasks facing the River District in 2002 and future years. There are six basic water supplies available for use along the Front Range:

1. Native South Platte River Supplies.

In average and above average years, Platte River water is still available, but it requires storage. Initial model runs show that Platte River water is available in average and above average years for conjunctive uses. The Helton-Williamsen study concluded that the C-BT Project has additional East Slope water available for storage in mainly above average years. There is little or no additional native water available in the Arkansas Basin.

2. Additional Imports (transbasin diversions).

The unused capacity of existing transmountain diversion projects from Division 5 is over 100,000 a.f./year - primarily from Dillon Reservoir and the Windy Gap Project. Many Front Range municipalities (and legislators) view additional transmountain diversions as the most obvious solution for future Front Range water demands. There will be additional exports because there remains significant unused capacity (over 100,000 a.f./year) in existing projects, primarily Dillon/Roberts Tunnel and Windy Gap. However, new transmountain diversion will be very difficult to develop primarily because the easy-to-build transmountain projects have already been built.

In mid-2001, the Colorado Water Partnership wrote a letter to the Bureau of Reclamation and three Front Range Congressmen (Tancredo, Schaffer and Hefley) wrote a letter to the Secretary of the Interior suggesting that the Aspinall Unit marketing pool (which the Partnership claims to be 240,000 a.f.) be used to provide water for a new transmountain diversion out of the Gunnison River Basin. However, to our knowledge no entity has

actually proposed, applied for water rights for an actual project, or made a recent formal request for a contract with the United States for a specified amount of Aspinall water.

3. Purchase of Agricultural Supplies.

The purchase of agricultural water rights by Front Range municipalities is a very controversial subject, although efforts to restrict it are generally opposed by both agriculture and municipalities. It is a major source for northern Front Range cities. Municipal and industrial users currently own about 60% of the C-BT Project shares. However, much of this water is leased back to irrigators on annual basis. In the mid 1980s, the City of Thornton purchased large amounts of agricultural water and is currently working on a project to deliver this water from northern Colorado to Thornton. Aurora has purchased large amounts of Arkansas Basin agricultural water rights and exports this water from the Arkansas River Basin to the Platte River Basin.

In 2001, the Colorado General Assembly passed legislation setting up a pilot project water bank in the Arkansas River Basin. The State Engineer and the CWCB will manage the bank. These entities have begun the process of designing how the water bank would operate.

The purchase of agricultural supplies by the East Slope will remain a political hot potato. In late 2001, the City of Aurora and a number of Arkansas River entities reached a complicated settlement in the Rocky Ford II ditch transfer case. However, at least one Arkansas Basin state legislator intends to introduce legislation in 2002 restricting out-of-basin agricultural transfers.

4. Effluent-Reuse.

Further effluent reuse from imported water and contributing groundwater is a large source of water available for use. MWSI estimates that by 2020, an additional 90,000 a.f./year of reusable effluent will be available. The problems are that there is far more effluent available than exchange potential, the demand for non-potable water (parks, etc.) is limited and there are political problems with direct and indirect potable re-use. Indirect re-use is where effluent is pumped/discharged into a stream above a standard treatment plant. In reality, indirect reuse occurs on almost every stream (except the uppermost municipality - not counting the elk and sheep), but when streams become effluent-dominated, the water quality problems become more difficult. Colorado Springs intends to develop another 40,000 a.f. (+) of water from reuse and effluent exchanges. However, it needs additional management storage. This storage may be available through the reoperation of the Fry-Ark Project and the enlargement of Pueblo Reservoir.

In 2001, Denver Water broke ground on the construction of a 16,000 a.f. per year non-potable re-use project that is located near the Metropolitan Denver sewage treatment plant. The City of Aurora is near construction of a smaller non-potable re-use project.

5. Groundwater Use.

Since the mid 1980s, non-tributary and not-non-tributary water have been the significant source of water fueling growth in the South Metro Area and El Paso County outside of Colorado Springs. The Denver Basin aquifer system is relatively large, but there are potentially significant local impact and management problems. Development and reliance on a non-renewable source is also a significant political problem. The Douglas County Water Resources Authority Study (DougCo Study) is considering options to better manage available groundwater and the concept of conjunctive use.

The groundwater portion of the DougCo Study should be completed in 2002. Moving the study toward a technical consensus has been a real struggle and as a practical matter may not be an achievable goal. There are two conflicting conclusions:

- 1) For the immediate future, groundwater use is still the most straightforward and cost-effective way of meeting South Metro area demands; and
- 2) At some point (there is no consensus on “when”) the yields of wells will begin to be reduced resulting in a significant increase in water costs. The number of wells needed to meet a given demand will go up geometrically meaning that it will take two wells, then four wells, then eight wells to serve the same demand now served by one well.

6. Conservation.

Most water districts do not consider conservation a source of supply. Rather, it is viewed as a demand reduction. However it is viewed, it is a significant factor. Denver Water now serves about 1,000,000 customers with the same demand it had in the mid-80s serving 800,000 customers. From the West Slope perspective, the most important conservation measures are those that focus on outdoor water uses such as lawn watering.

ENVIRONMENTAL ISSUES

Complying with the many federal environmental regulations is a continuing challenge.

1. Endangered Species Act.

The River District has been involved in the Upper Basin Recovery Program since its inception. The District’s strategy is to work toward regulatory certainty by taking aggressive actions to assist or encourage recovery of the four native Colorado River fishes listed as endangered. The River District is involved in implementing actions required by the 15 Mile Reach Biological Opinion, finalizing a Yampa River Basin programmatic biological opinion and developing a Gunnison Basin programmatic biological opinion. Additionally, the River District is sponsoring its own independent research on the need for high flows in the 15 Mile Reach and actively participates in the Recovery Program Committee process.

There are a number of major issues facing the Recovery Program in 2002. After about a year of intense discussions and debate among the Recovery Program parties, in September 2001, the U.S. Fish & Wildlife Service (Service) published draft recovery goals for each of the four listed fishes. In general, the response to the proposed goals was very positive. At the River

District's October 2001 meeting, Assistant Director of the Department of Natural Resources Kent Holsinger and Colorado Endangered Species Program Director Tom Blickensderfer made a presentation to the Board on the draft goals. Kent and Tom reported that the State of Colorado was very happy with the draft goals and urged to support the finalization of the goals as final. The River District sent a letter to the Service supporting the goals, but also identified several technical concerns. Publishing the draft recovery goals was the last obstacle to the extension of the Recovery Program, so in mid-December, the Secretary of the Interior and the governors of Colorado, Utah and Wyoming formally extended the program to 2013 (a ten year extension).

Looking forward into 2002, the Service plans to address the technical concerns raised during the comment period and finalize the goals. However, lately the Lower Basin States have raised a number of issues related to the recovery of listed fishes in the Lower Basin. The goals were designed to allow downlisting and delisting of distinct population segments in the Upper Basin. This could leave some or all of the fishes still listed in the Lower Basin. Tom Pitts suggests that it could take four to six months to resolve the Upper Basin/Lower Basin issues and finalize the goals. This could be a hot issue for the Assistant Secretary of the Interior, the Service and Parks' Craig Manson (who awaits confirmation) to resolve.

Other major issues facing the Recovery Program include completion of the capital program financing package as contemplated by the federal legislation passed in 2000. Under this legislation, Colorado must contribute \$9.2 million to the capital program (this contribution covers both the San Juan and Upper Basin programs).

An issue of importance to the River District is completion of the programmatic biological opinions (PBO) in the Gunnison Basin and for the remaining small tributaries (e.g. the White and Dolores Rivers). Progress on the Gunnison Basin PBO is on hold while we address the quantification of the Black Canyon Reserved Right. In late 2001, I suggested to Kent Holsinger and CWCB director Rod Kuharich that we consider asking the Service to move the smaller tributaries PBOs ahead of the Gunnison Basin PBO. They have not yet responded. I believe they want the Service to focus on finalizing the Yampa PBO as the priority.

The quality of the endangered species-related science is a nationwide concern. By adopting a formal peer review process and involving the impacted state wildlife agencies, the Recovery Program has been better than most. However, we believe that there are still areas that can be improved.

In 1997, the River District Board began funding independent science work. A number of other water entities have contributed funds toward this work. Our focus has been on the role of high springs flows in providing or maintaining habitat. Our goal this year is to complete the fieldwork and get a draft report ready for the peer review process.

Recovery Program Science

January to April 2002 Update

We have stepped up our efforts to find additional sponsors to provide funding for the continuing work. Dan Birch and Ray Tenney will provide additional information at the Board meeting. Several of the Gunnison Basin parties would like us to expand our efforts into the Gunnison River Basin. The U.S. Fish & Wildlife Service has recently decided to revise its flow recommendations on the Lower Gunnison River (at Whitewater). Our initial review tells us that while the revised amount of the actual peak flow has been reduced, the actual volume of water requested may be more. We're also concerned with the biological basis of the flow recommendations.

April to July 2002 Update

In late May, we held an information briefing in Denver, where we invited representatives of Front Range entities and state agencies to hear a presentation from Drs. Miller and Mussetter on their work.

Our efforts to find additional partners to help fund the independent research has been moderately successful. Since the last quarterly report, we have obtained donations from the Northern Colorado Water Conservancy District and the Grand Valley Irrigation Company. We also have additional commitments from Denver Water, the Colorado Water Conservation Board (CWCB) and the Upper Gunnison River Water Conservancy District.

We are also gaining some momentum in getting the results of our independent research into the Recovery Program policy making process (this is one of the primary goals of the work). In mid-June, our consultants made a presentation to Recovery Program researchers. The meeting went well. We are scheduled to have a follow-up meeting with Dr. John Pitlik, a geomorphologist, who has done work on both the Gunnison and Colorado River flow recommendations. Finally, Tom Pitts has submitted a proposed scope of work for continuing portions of the Miller/Mussetter work on a Recovery Program sponsored project.

Dan Birch and Ray Tenney are going to discuss the study process in more detail at the Board meeting. We have more work to accomplish than budget. We'll also want to discuss how much of a contribution we can make from the Enterprise to the effort.

Gunnison River Basin Flow Recommendations

During a special board meeting conference call on May 16th, the Board approved utilizing Miller and Mussetter to assist Tom Pitts in preparing detailed comments on the second round of Gunnison River flow recommendations. This work has been completed and the comments submitted to the U.S. Fish & Wildlife Service (Service). In my opinion, we're still a long ways away from reaching a technical resolution on the flow recommendations. Recall that for the 15 Mile Reach, we never resolved meeting the flow recommendation. In fact, the 15 Mile reach recommendations are for 200,000 to 400,000 a.f. more water than exists today (on average). What we finally did was utilize the 15 Mile Reach PBO to address the flow recommendations by a Service

conclusion stated in the PBO that the flow recommendations do not need to be met to achieve recovery. I believe that we will have to do the same thing in a Gunnison Basin PBO.

2. Water Quality Issues.

The River District is following water quality at both the state and federal levels. At the federal level, we are closely following how the Bush Administration is going to revise and administer the total maximum daily loading rules (TMDL). We are also following issues raised by a Ninth Circuit Appeals Court decision that requires NPDES permits to the application of herbicides to ditches and canals. In 2001, the EPA skirted the issue by agreeing not to enforce the court decision (outside the area covered by the Ninth Circuit) provided that the chemicals are being used strictly as directed by the manufacturer (this is required by law).

At the state level, we are preparing for the triennial review of the Upper Colorado River Region in 2003. The Upper Colorado River Region includes the upper reaches of the Yampa River as well as the Colorado River Basin above Glenwood Springs.

January to April 2002 Update

The EPA has issued guidance stating that an NPDES permit is not required for the application of herbicides as long as it is applied pursuant to an EPA approved label under FIFRA.

3. Forest Service Plans/Bypass Flow Issues.

I expect that the White River National Forest will finalize its forest plan sometime in 2002. We are anxious to see how the provisions dealing with bypass flows are revised. Additionally, Director Kasper is participating in a work group addressing water issues related to Grand Mesa, Uncompahgre and Gunnison National Forests (GMUG). Chris Treese is backing up Director Kasper.

In 2001, the working group decided to pursue a "pilot" project on Willow Creek, a tributary to the Taylor River. In 2002, we expect new guidance from the Bush Administration on Forest Service bypass flow issues.

January to April 2002 Update

There are three issues to report: first, according to press reports, the White River National Forest Plan will be out shortly (May or June). We do not know how the plan will handle bypass flow issues. This section is being finalized in Washington, D.C.

The workgroup addressing GMUG water issues is continuing to meet on a monthly basis. Chris Treese reports that at the last meeting they actually made some progress on developing a list of structural and non-structural alternatives to bypass flows. The work group will be holding a series of public meetings in early summer. On a related matter, a federal court in the State of Washington has ruled that the Forest Service has the authority under ESA to prevent ditches from crossing forest lands. Peter Fleming and Jill McConaughy will be getting more information on the ruling.

April to July 2002 Update

We were quite pleased that the Forest Service has changed the White River National Forest Plan to conclude that specific bypass flows requirements will not be a part of the plan. Instead, the Forest Service will work with the CWCB to address the forest instream flow needs through the state program. Forest Supervisor Kettele has recently stated that recent passage of Senate Bill 156 which strengthens the CWCB instream flow program made the White River National Forest decision to change its approach on bypass flows “easier.”

The GMUG work group continues. The planned public meetings were held in late May.

4. Instream Flows.

In 2001, the Colorado General Assembly passed state legislation concerning recreation in-channel diversions (RICD) water rights. The legislation allows the CWCB to make certain findings concerning these applications and submit them to the water court as a part of the application process.

In the fall of 2001 the CWCB adopted formal rules and regulations describing how it will implement its responsibilities under the RICD legislation. The CWCB rules and regulations were quite broad and opposed by a number of different parties within the River District.

There are three RICD applications pending on the West Slope by the Towns of Vail, Breckenridge and Aspen. Each application is for a kayak course. These applications all preceded passage of the 2001 legislation, thus will be evaluated under the Fort Collins boat chute case.

Two other West Slope entities are considering water rights applications; the Town of Steamboat Springs for a kayak course on the Yampa River and a possible application by the Upper Gunnison River Water Conservancy District for conditional water rights for a kayak course on the Gunnison River just downstream of the Town of Gunnison.

Additionally, at the January Board meeting, the Board will need to make a decision on whether or not to file an *amicus* brief in the Golden kayak case which the CWCB is appealing to the Supreme Court.

January to April 2002 Update

At the January 2002 Board meeting, the Board voted to file an *amicus* brief in the Golden case supporting the State of Colorado. The brief was based on applying the principles established in Senate Bill 2001-216 to the case. The deadline for the filing of Golden's reply brief was April 8th, so we shouldn't expect a decision by the Supreme Court for another 9-18 months.

Two other West Slope RICD cases are headed to Water Court in the next month or two. These are the applications by the towns of Breckenridge and Vail. Additionally, the Upper Gunnison River Water Conservancy District is filing a RICD application for a kayak course on the Gunnison River below the town of Gunnison. The Upper Gunnison Board chose to file the application for a relatively small amount of water. They have generally asked for a 10th percentile flow amount (an amount that is exceeded 90% of the time).

April to July 2002 Update

The City of Golden kayak course case is in front of the Supreme Court. The oral argument date has not been set, so a decision is still months away. Justice Hobbs, who represented Northern in the original Fort Collins case, will not participate in the decision.

At the trial level, Division 5 Water Judge Ossola has awarded Vail a recreation in-channel water right for 400 cfs and Breckenridge a recreation in-channel water for 500 cfs. The applicants have now asked the Court for legal costs.

On July 22nd, the CWCB is scheduled to hold a hearing to determine its position on the application by the City of Pueblo for a recreation in-channel water on the Arkansas River below Pueblo Reservoir. The Pueblo application is being handled under SB-216. The River District is participating with the primary goal of protecting the ability of the Arkansas River Basin transmountain diverters to fully utilize transmountain effluent by exchange (or otherwise). We expect the hearing to last from 10:00 a.m. to well into the late evening (or next morning). The CWCB hearing officer has awarded the applicant (Pueblo) eight hours to put on its case.

A CWCB hearing on the Upper Gunnison River Water Conservancy District RICD application may be on the CWCB's September Board agenda. The CWCB September meeting is currently scheduled for Meeker.

5. Hydrology/Climate Issues.

An issue that is receiving increased attention in both the technical and popular media is the impact of the global climate variability/change of fresh water supplies. Without getting into the debate about if the greenhouse effect is the cause, the last several years have been very warm. (October 2001 was the hottest October on record for Grand Junction and many other western locations).

The bottom line is that if the recent trends for a warming climate continue, it will have a big impact on water supplies; extreme events will be more severe (both droughts and floods), a higher percent of Colorado's precipitation will fall as rain, evaporation rates will go up and the snow melt will occur earlier in the spring than it did decades ago. My personal opinion is that these effects will result in greater demands on our existing storage facilities for both human uses and environmental purposes.

Both 2000 and 2001 were below average years (hydrologically). Westwide, 2001 was the driest year since 1977. In the central Rockies, the 2002 season has started out below average. October was very dry and hot, November precipitation was about average, but December has again been below average.

January to April 2002 Update

2002 continues to be very dry. The snowpack (and projected runoff) remains in the 60-70% range. The conditions in the southern basins are extremely bad (30-50% of normal). The forecasted runoff into Lake Powell is 4.0 million acre feet. This will result in a 3 to 4 million acre foot drop in Lake Powell in 2002, reducing the reservoir level to about 16 million acre feet.

April to July 2002 Update

In April, we expected that we would have a very low runoff, but we never expected that conditions would be more severe than 1977. We now believe that 2002 will become a new "benchmark" year for drought planning.

It is important to remember that we are not yet out of the drought. The 1977 extreme drought year was followed by a wet year in 1978, so the 1977 impacts were relatively short. If 2003 is below average or even average, we will continue to experience very low stream flows and near empty reservoirs.

For example, average precipitation for the 2002/2003 winter will do very little to recover Lake Powell levels because of the huge amount of empty upstream storage upstream of Lake Powell.

INTERSTATE COMPACT ISSUES

In early 2001, the Secretary of the Interior, Bruce Babbitt, signed the record of decision adopting the interim surplus/shortage criteria, the emphasis in the Lower Basin has now shifted from negotiations to implementation and possibly litigation over environmental issues.

Secretary Norton has stated that she is fully committed to implementing the interim criteria. In Las Vegas at the 2001 CRWUA convention, Assistant Secretary Bennett Raley stated that he and Secretary Norton are very concerned that California is already falling behind schedule. Assistant Secretary Raley also acknowledged that in order for California to implement the 4.4 plan, the United States agencies must also make a number of critical decisions, especially on ESA related issues.

In the fall of 2001, the United States and Mexico sponsored an environmental symposium on the Colorado River Delta environmental issues. This meeting was held in Mexicali. The Bush Administration is urging the Colorado River Basin states and the Republic of Mexico to work on cooperative solutions to the Delta issues. However, Assistant Secretary Raley has also made it very clear that solutions must be consistent with the "law of the River" and the 1944 treaty.

I also expect litigation initiated by United States and Republic of Mexico environmental groups. There is currently litigation pending on whether or not the federal agencies have to conduct a section 7 consultation on endangered species in the Delta. So far that is a procedural issue. It will become a substantive issue if the United States is required to conduct the section 7 consultation.

In December 2000, the River District Board joined forces with five other water entities to hire Jim Lochhead. We will continue to utilize Jim for 2002.

January to April 2002 Update

In late January, I attended a Colorado River management meeting in Santa Fe. The topics of discussion included both environmental and institutional issues. While the Colorado River Delta remains a hot topic, the Salton Sea issues have become more pressing. To implement the California 4.4 plan, the major parties (Metropolitan Water District, San Diego Water Authority, Imperial Irrigation District and Coachella Valley Irrigation District) all need federal and state permits. Addressing environmental and endangered species issues related to the proposed reduction of inflows into the Salton Sea is a major obstacle.

Proposals by New Mexico to build a pipeline from the San Juan River to Gallup and by Utah to build a pipeline from Lake Powell to St. George have raised an Upper Basin dispute. Colorado and Wyoming take the position that the depletions attributable to these projects should be considered Lower Basin depletions. Utah and New Mexico strongly disagree. Utah, for example, has a large amount of unused Colorado River water available to it under the 1948 Upper Colorado River Basin Compact, but no entitlement to Lower Basin mainstem water. The southwestern corner of Utah, the Virgin River Basin, is technically part of the Lower Basin, but the Virgin River and the other Lower Basin tributaries have never been "apportioned" by a compact or interstate decree. Colorado and Wyoming are concerned that these projects could set a precedent for Upper Basin to Lower Basin marketing schemes.

Another Upper Basin issue that has recently surfaced involves the Little Snake River. The Three Forks Ranch, which is located in the Upper Little Snake River Basin in both Colorado and Wyoming, has filed a lawsuit in federal court against the State of Wyoming and the City of Cheyenne challenging the operation of Cheyenne's transmountain diversion out of the Little Snake. Three Forks claims that Cheyenne is diverting 17,000 a.f. per year out of the Basin, but only using an average of 4,300 a.f. Cheyenne uses the water by exchange. On Wednesday, April 17th, the Board will hear several presentations on Little Snake River issues.

April to July 2002 Update

Lower Colorado River Issues

In May, Assistant Secretary Bennett Raley sent the Colorado River Board of California a strongly worded letter stating that unless the Quantification Settlement Agreement (QSA) is signed by the end of 2002, the Secretary of the Interior will have no choice but to suspend the Interim Surplus Guidelines

(ISG) and go back to the pre-2001 operation of Lake Mead. This would mean that California would be limited to its basic 4.4 million acre foot entitlement in 2003 and Metropolitan would only have about 550,000 a.f. of Colorado River water available to it.

The QSA is very important to the California 4.4. plan because it quantifies the water rights of the Imperial Irrigation District and Coachella Valley Irrigation District. Without this quantification, there is no way to quantify the water savings that will be implemented through the San Diego-IID agreement. This saved water goes into the San Diego and Metropolitan Water District water supply.

I've provided the Board with a copy of Secretary Raley's letter and a copy of Jim Lochhead's latest status report is included in the Board binders.

Little Snake Case

The Three Forks Ranch case is proceeding in Federal District Court. The Upper Colorado River Compact Commission filed an *amicus* brief with the trial court asking the judge to rule that only the signatory states of a compact can initiate interstate litigation concerning the compact.

At its special meeting in Montrose, the River District Board delegated to the Litigation Committee the decision on whether or not the River District should file a reply brief. The Litigation Committee subsequently authorized General Counsel to file such a brief. Peter Fleming's report will cover the issue in much greater detail.

The State of Colorado is also facing a number of other difficult environmental and compact issues on its other interstate streams. There are endangered species issues on the Middle Rio Grande River in New Mexico. On the Arkansas River, Colorado and Kansas are completing the penalty phase of litigation which began in the 1980s. Colorado lost the case, the only question is the level of damages to be awarded to Kansas. It appears that the damage award will be money. Press reports suggest that Colorado will ultimately have to pay Kansas about \$40 to \$45 million in damages and perhaps another \$25 million in legal fees.

Colorado is now involved in another interstate compact case. This one involves the Republican River in far eastern Colorado. The initial complaint was lodged by Kansas against Nebraska, but has expanded to include Colorado. The issues are similar to the Arkansas River case: Are groundwater depletions impacting stream flows on the Republican River in a manner that violates the Republican River Compact?

On the Platte River, Wyoming and Nebraska have finally settled long standing litigation. Colorado was a party in the case, but not a target. However, environmental issues remain a significant threat. In December 2000, the Platte River MOU parties agreed to a 30 month extension of the MOU to allow for additional technical studies on sediment transport issues below Lake McConaughy. The problem was created when the U.S. Fish & Wildlife Service concluded that none of the Recovery Program alternatives be considered by the programmatic draft EIS complied with the Endangered Species Act. The MOU extension will delay issuance of the PDEIS by about two years and ultimately implementation of the program by another two to three years. The Colorado water entities that need a successful recovery program as a "reasonable and prudent" alternative for the Platte River Project (an example is Denver's reuse project) are getting very nervous.

There is also a building concern about how the State of Colorado is administering pumping of groundwater

in the Lower South Platte River aquifer that is hydrologically connected to the river. The CWCB is considering a small off-channel storage reservoir on the Lower Platte for compact administration.

ORGANIZATIONAL ISSUES

In 2001, we saw a number of organizational changes. On May 31st, General Counsel David Hallford resigned and began working for the firm of Leavenworth & Karp, P.C. David remains as interim General Counsel. In November, the Board hired Peter Fleming who will begin work in early February.

In 2001, we filled two new staff positions. Dan Birch began work as the Planning and Development Director on July 1st and on January 2, 2002, Peter Roessmann will begin working for Chris Treese as our water education/outreach specialist.

In July 2001, the Board decided to put a lot on Devereux Road that the District owns on the market (for sale by owner). We have had a number of inquiries, but no firm offers.

In late October 2001, Hinsdale County Director and Board Vice President Bob Spears resigned (Bob moved to Grand Junction). We expect that the Hinsdale County Commissioners will appoint Bob's replacement prior to the January 2002 meeting.

January to April 2002 Update

Peter Fleming reported on board as our new General Counsel in early February.

Saguache County has appointed Wade Collins as its new director. Wade will be at the April Board meeting.

There is no new information to report on the sale of the River District Glenwood Springs lot. We continue to get a few questions and inquiries, but no offers.

April to July 2002 Update

The big news in June was the Coal Seam fire which burned about 12,000 acres including the hillside across the river from the River District offices. The office was in the evacuation zone, but we were only out for one workday. Several River District employees were impacted by the fire, including Frances Padilla, whose home was completely burned down.

The River District lot on Devereux Road was not impacted. We continue to have no offers to buy the lot. However, because there is no compelling reason to sell, I recommend the Board stay the course and not adjust the sales price.

COLORADO RIVER MAINSTEM (DIVISION 5)

The Colorado River mainstem is referred to as "Water Division #5" and includes the Colorado River and its tributaries upstream from the state line, but excluding the entirety of the Gunnison River Basin. The Colorado

River mainstem is the heartbeat of Colorado water development. The average annual natural flow of the Colorado River above Grand Junction is approximately 3.6 m.a.f./year. The mainstem provides on average approximately 500,000 a.f./year of transmountain diversions and an additional 500,000 a.f./year of West Slope consumptive uses, primarily agriculture.

Approximately 70 miles of the mainstem, from Rifle to the state line, is designated as critical habitat for endangered fish under the Endangered Species Act (ESA). The 15 river miles from the Grand Valley Diversion Dam near Palisade to the Gunnison River is referred to as the "15 Mile Reach."

SUMMARY OF MAJOR ISSUES

As the state's largest stream, the Colorado River mainstem has long been the subject of contentious and difficult issues. On the downstream (western) end, the major issues are environmental. In December 1999, the U.S. Fish & Wildlife Service, U.S. Bureau of Reclamation, Colorado Water Conservation Board, environmental representatives and Division 5 water users completed negotiations on a programmatic biological opinion covering all historic depletions, plus an increment of new depletions (120,000 a.f./year.). The final opinion was issued in late December 1999.

Water quality is a significant issue for municipal and agricultural water users on the lower mainstem. Irrigators are concerned that under certain conditions, mainstem salinity already exceeds desirable levels for sensitive crops.

Primary concerns in the headwaters are related to transmountain diversions. In high demand years the headwaters of the Colorado River mainstem deliver over 600,000 a.f. of transmountain water to the Platte River and Arkansas River Basins. Recent municipal growth on the Colorado Front Range is increasing use of existing diversions and creating pressures for new transmountain diversion projects.

The West Slope has also seen significant population growth from 1980 to 2000. The rate of growth on the West Slope exceeded that of the Front Range. There has been considerable second home/resort home development, especially in the headwaters counties. Second home developments require an infrastructure based on full occupancy. Eagle, Pitkin and Summit Counties are the three largest River District counties in terms of assessment.

However, the impact of West Slope growth on overall River District water demands has not been overwhelming. The demand for agricultural and industrial water has stabilized and consumptive use associated with West Slope municipal growth is not large and is often offset through the conversion of agricultural lands to residential subdivisions.

RIVER DISTRICT WATER RESOURCES

The River District and its Enterprise own water and numerous water rights in Water Division 5. The River District, through its Enterprise, has water available for West Slope uses from its Wolford Mountain Reservoir Project. Ten thousand acre feet of Wolford water is available for contract purposes, and an additional 3,000 a.f. of project water is provided to the Middle Park Water Conservancy District. The River District owns 300 a.f. of water in the Eagle River Basin; 200 a.f. of Eagle Park Reservoir water and 100 a.f. of Homestake Reservoir water. The River District's Enterprise has a contract for 1,200 a.f. of Ruedi Reservoir water. it also has access to 200 a.f. of Twin Lakes storage water on the Upper Roaring Fork River in some years.

The River District owns rights for constructed and unconstructed projects in Division 5. Wolford Mountain

and Ruedi Reservoirs are the constructed projects. Examples of unconstructed projects for which the River District holds conditional rights include: the Azure Project located on the mainstem of the Colorado River below Kremmling, the Redcliff Project located on the Upper Eagle River, the West Divide Project located in Garfield County, with rights on the Crystal and Colorado Rivers, and the Una Project located on the mainstem of the Colorado River near the Garfield County/Mesa County line.

SPECIFIC DIVISION 5 PROJECTS/ACTIONS

I. Douglas County Water Resources Authority Study (DougCo).

The scoping phase of the DougCo study began in 1999. The goal of the study is to examine water supply options for the south Metro-Denver area. This region is heavily reliant on groundwater. By late 2002, we expect to see a “menu” of alternative projects.

January to April 2002 Update

The study manager, Peter Binney, resigned to accept a job with the City of Aurora as Utilities Manager. The study board has selected Pat Mulhern to replace Mr. Binney.

The initial modeling efforts show that wet year water is available for a new appropriation. The wet year water comes in large doses, so the challenge is to provide the pipeline capacity to move water from the Platte River for storage in the ground. A 300 cfs pipeline (which is a big pipe) could provide an average water supply of about 28,000 to 30,000 a.f. per year, most of the water (60%) from the Platte. A 28K to 30K supply may not seem like much, but with full reuse, this amount of water could reduce the reliance by Douglas County study members on groundwater by 85% to 90% in 2050.

April to July 2002 Update

The study phase is moving along toward completion in late 2002. Most of the modeling work has been completed. Black and Veatch is currently working on cost estimates for the project capital features.

If time permits, Jim Pearce will be making a power point presentation showing the project status. Pat Mulhern prepared the presentation for a recent meeting of the Douglas County Water Authority Board.

A question now facing this study as well as the UPCO study is how will the participating entities reaction to the drought impact the study process for major water suppliers such as Denver Water. It is simply too early to tell. One of the positive outcomes may be that Front Range water suppliers will be more willing to utilize available groundwater supplies during these very dry years.

2. Upper Colorado River Basin Study (UPCO).

The purpose of the UPCO study is to take a detailed examination of water supply, streamflow, and water quality issues in Grand and Summit Counties. The study began in 1999. Progress has been slow, but productive. The study has compiled a detailed list of water demands and water rights of the towns, special districts and resorts in the study area. In late 2001, Hydrosphere completed the hydrology model interactive tool. On January 14th, we will be holding a workshop with Hydrosphere and QQ (the study manager) to begin the process of identifying problem areas. In 2002, the study is scheduled to move into the “solution” phase. We hope to make a short presentation on the hydrology model at the January Board meeting.

January to April 2002 Update

The public meetings scheduled for mid-February had to be postponed to give Denver time to fix a couple of modeling bugs. An Advisory Committee meeting has been rescheduled for April 25th in Summit County. The morning session will address Grand County issues, the afternoon session will address Summit County issues. Public meetings in Grand and Summit Counties will be scheduled after the April 25th meeting.

April to July 2002 Update

The project sponsors held a management meeting in mid-June. We mainly discussed the impact of the drought on study participants.

Denver Water now believes that a Northern system “fix” is a high priority. They believe that there is a chance that they could run out of raw water supply to the Moffat Treatment Plant later this year.

Northern (Don Carlson) reported that it is likely that the Municipal Subdistrict will be filing for federal permits for a Windy Gap Firming Project later this year. He stated that there are three basic alternatives: East Slope storage, West Slope storage (Jasper Reservoir) and further system integration.

After the drought discussion, we had a short discussion of the study’s status. The first draft of the Phase II report will out for review in early July. QQ has postponed the public meetings it had scheduled in July and August until later in the year. The concern is that the public and water districts would be overly focused on the drought. The real purpose of the meeting will be discuss the longer term issues.

3. Division 5 SWAT Team process.

The Division 5 “SWAT” team is an informal process where major water users (including Reclamation) get together and discuss river administration issues. In 2001, the SWAT addressed some accounting and administrative issues related to the Green Mountain substitution. I expect a number of these issues will be hot topics again in 2002.

January to April 2002 Update

The “SWAT” team is gearing up for another substitution year. A number of issues from 2001 remain unresolved. Hopefully the Colorado Springs substitution agreement issue will be worked out ahead of time.

April to July 2002 Update

Anytime water supplies are tight, we face a number of difficult and divisive river administration and accounting issues. Most are related to the operation of Green Mountain Reservoir. This year, the hot topic has been how to allocate storage and releases from Green Mountain Reservoir when Green Mountain is the “swing” right. A “swing” right is the right where all juniors to the swing are out of priority, but all seniors are in priority and only some portion of the swing right needs to be bypassed to satisfy the downstream seniors. Many of the SWAT team accounting issues are being addressed during the weekly river calls as well as the periodic SWAT meetings.

4. Resolution of the Green Mountain Reservoir 1977-1984 User Group water supply issues.

For the last several years, we have been working with special counsel Lee Leavenworth and the Division 5 Engineer to address unresolved issues resulting from the 1984 Green Mountain operating policy. A draft State Engineer’s policy has been at the SEO’s office for review for several months.

April to July 2002 Update

The 2002 hydrology has probably made resolution of the 1977-1984 issue more difficult. Because the 66,00 a.f. HUP did not fill, it shows that in critically dry years, there is no water to allocate to the ‘77-‘84 users.

5. 15 Mile Reach Biological Opinion follow-up actions:

- a. Coordinated Facilities Operations Study (CFOPS).

The CFOPS study consultant issued a draft final report in November 2001. The consultant is currently correcting or revising this report based on agency input. The next study management meeting will be in February 2002.

January to April 2002 Update

The CFOPS study management team met in early February. The study uses the CWCB’s Colorado River Basin Decision Support Model. However, team members found a number of major deficiencies in the model assumptions. The CWCB staff and study consultant are currently working on fixing the problems. The study team will meet again on April 15th.

April to July 2002 Update

The CWCB staff and study consultants are continuing to work on clearing up modeling problems, primarily on the Blue River. However, for all practical purposes, resolution of the bigger policy issues is on hold until there is a judicial or negotiated settlement of the Colorado-Big Thompson Project issues.

- b. Interim (2012) agreement for use of 10,825 a.f. of Ruedi Reservoir water.

The Bureau of Reclamation, Loveland Office, is preparing a draft environmental assessment on the interim agreement. The purpose of this interim (2012) agreement is to replace the annual contracts between the CWCB and Reclamation covering the delivery of Ruedi water to the 15 Mile Reach. Because we've become accustomed to the annual contracts, this EA has not been a priority of the Loveland office.

January to April 2002 Update

Reclamation has finally issued the 2012 agreement draft Environmental Assessment (EA). We are reviewing the document.

April to July 2002 Update

The River District, Ruedi Water and Power Authority, Basalt Water Conservancy District and a number of other Ruedi contract holders all commented on the 2012 agreement draft EA. One of the most difficult questions facing Reclamation will be how to deal with the impact of the 2012 agreement on the West Slope's repayment obligation for Ruedi Reservoir.

The first 2012 agreement negotiations session is scheduled for the week of July 1st in Carbondale. We will update the Board on the results of the meeting during the Enterprise Board meeting.

- c. Identification of a permanent source of 10,825 a.f. of water to replace the River District and Denver Water interim agreement.

The 15 Mile Reach PBO requires that water users provide 10,825 a.f. of water for delivery to the 15 Mile Reach in the later summer/early fall. Currently, the River District and Denver Water each provide 5,412.5 a.f. under interim contracts that expire in 2010. The River District has been working with other 15 Mile Reach PBO participants to identify alternatives that could be the permanent source.

This effort is going to raise some tough issues. For example, Northern and Denver have a water rights application pending for a Sulfur Gulch reservoir at the top of DeBeque Canyon. Is a new reservoir a cost-effective and environmentally acceptable solution? Another issue is should Ruedi Reservoir's unused capacity be a potential solution?

April to July 2002 Update

We have not had any recent meetings to discuss a permanent source for the water users obligation to provide 10,825 a.f. When we do it will be interesting to see how the 2002 drought changes the dynamics.

This year, both the River District and Denver have had to implement drought provisions in their interim agreements. The River District will not provide any water from Wolford Mountain Reservoir (the enlargement will provide 300 a.f.). How much Denver will provide is still an unresolved question.

One of the problems we face is that the Recovery Program is a large user of reservoir water in moderately dry and average years. One of the axioms of reservoir operation (that goes back to Roman days) is that if you overuse reservoirs in average years, you don't have as much in reserve for the truly dry years. I'm fairly certain that Denver and Northern will use 2002 as more reason to build Sulphur Gulch Reservoir.

- d. Continued 15 Mile Reach spring (peak) flow research.

The River District has been sponsoring this independent research for several years. Our goal for 2002 is to complete the data collection and study phase and prepare a report (for peer review). Our ultimate goal is not research, but to improve the Recovery Program science.

January to April 2002 Update

Dan Birch and Ray Tenney have been working to acquire additional funding sources to support additional work beyond what we have budgeted in 2002. Our success in this effort has spawned (NPI) pressure from our constituents to increase the work and expand it to the Gunnison Basin. We will be addressing this issue under a separate agenda item on April 17th.

April to July 2002 Update

We're making some progress on obtaining contributions from additional project sponsors. In late May, our project consultants made a presentation to Front Range entities and state agencies. In mid-June, our consultants and Ray Tenney discussed our work with the Recovery Program biology committee. Additionally, Tom Pitts is working to get the results of our work into the mainstream of the Recovery Program science, thus impacting policy decisions.

- e. Completion of the Grand Valley Water Management Project.

In 2001, Reclamation completed the project check structures and (Palisade) bypass pipeline. In 2002, Reclamation will begin construction on the pumping plant and pipeline from Highline Lake to the Government Highline canal.

April to July 2002 Update

This year we will get a chance to evaluate the dry year, late season advantages of the project. We expect that by mid-September, the HUP will be drained (except for a small portion that is set aside for winter users). Therefore, we will be relying on the efficiency improvements to both maintain the necessary canal head to deliver water to Grand Valley Water User Association customers and to provide some (small) instream flows in the 15 Mile Reach.

- f. Fish passage at Price-Stubbs Diversion Dam and the Roller Dam.

The 15 Mile Reach PBO requires fish passage structures at the abandoned Price-Stubbs Diversion Dam and the Grand Valley Project Diversion Dam (a.k.a. - Roller Dam). Both of these projects are in the planning phase.

January to April 2002 Update

The Bureau of Reclamation recently has issued an environmental assessment (EA) on fish passage alternatives. One of the issues associated with fish passage at the Price-Stubbs Diversion Dam was a FERC hydropower license at the site held by Eric Jacobsen. That FERC license has now officially expired. Mr. Jacobsen has been making some inquiries to the Congressional delegation about a Congressionally mandated extension to the license.

April to July 2002 Update

It does not appear likely that Congress will extend Mr. Jacobsen's license application.

6. Discussions with Denver on its Eagle River rights reconfiguration study.

In 1998, the River District and a number of Eagle County entities, Colorado Springs and Aurora signed the Eagle River MOU. In 2001, we had a series of discussions among the Eagle River MOU parties and Denver Water concerning the possibility of bringing Denver into the Eagle River MOU. There is more discussion on this matter in the negotiation and litigation section.

7. Review and evaluation of River District conditional rights.

For the last several years, the River District staff has been reviewing our conditional water rights portfolio. In limited cases, the staff has recommended that the Board not file for diligence. In other cases, we are recommending additional work. An example is the reconfiguration work on the West Divide Project. The bottom line is that both case law and time are making it more and more difficult to maintain conditional rights. NOTE: many in the water community argue that this is the way the system should work.

8. Evaluation of the impacts of the Southeastern Colorado Storage Needs assessment plan on the Roaring Fork River.

In 2002, Southeastern Colorado Water Conservancy District (Southeast) will be pushing to complete adjudication of its water rights applications for the enlargement of Pueblo and Turquoise Reservoirs.

January to April 2002 Update

Southeast has reintroduced federal legislation to authorize the Secretary of the Interior to reoperate Pueblo Reservoir to provide additional storage space to municipalities. The legislation also authorizes the Department of the Interior to prepare feasibility studies to physically enlarge Pueblo and Turquoise Reservoirs. This legislation has been introduced as HR 3881 (last year it was 1714). The Water and Power Subcommittee held initial hearings on the bill. I have sent the Board a brief memo addressing the River District's concerns. From Southeast's perspective, the hearing did not go well. The State of Kansas, City of Pueblo and the Bush Administration all opposed the bill as written. If this legislation has any chance at all, Southeast (and the State of Colorado) have to address the Kansas opposition. We have invited SECWCD manager Steve Arveschoug to address the Board on April 16th.

April to July 2002 Update

We have not had any further discussions with Southeast or Colorado Springs on HR 3881. The big news from Southeast is that Steve Arveschoug has resigned to take a similar job with the Dolores Water Conservancy District in Durango. Until Southeast hires a new manager, I don't think we'll be in a position to have any meaningful discussions to address the remaining issues we have with HR 3881.

9. Enterprise Activities:

a. Operation of Wolford Mountain Reservoir.

The 2001 water year was quite dry. For the first time since construction was completed in 1996, Wolford Reservoir did not completely fill. In 2001, Denver Water made its first use of Wolford water. The reservoir level at the end of December 2001 was approximately 41,000 a.f. (a little lower than it was in 2000). Our operations are going to be very conservative with the idea that 2002 could be another dry year.

An administrative action scheduled for this spring is to issue a new recreation area management contract. We have already begun the SOQ process.

January to April 2002 Update

The Water Supply Projects Committee met on March 7th and selected a local Kremmling business to operate the recreation area. The Committee directed that we enter into a one-year contract which would be renewable next year for another four to five years.

2002 will be another very dry year, similar but perhaps drier than 2001. Our estimated runoff into Wolford Mountain Reservoir will be 60% of normal - about 36,000 a.f. We will be lucky to store 20,000 a.f., which would leave Wolford Mountain Reservoir about 6,000 a.f. short (full capacity is 60K).

April to July 2002 Update

When I look back at what I wrote in April, I can't believe how optimistic we were in April. The April inflow projection for Muddy Creek was 36,000 a.f. Actual inflow will be less than 15,000 a.f. Instead of storing 20,000 a.f., we stored 3,000 a.f.

Dave Merritt will have more detailed information in his project report. In summary, Wolford Mountain Reservoir started the season with a capacity of 43,000 a.f. We expect to release about 27,000 a.f. through next March; 17,000 a.f. from Denver's account and the remaining 10,000 a.f. for River District contracts, Middle Park uses, evaporation and wetlands irrigation. This will leave about 16,000 a.f. in the reservoir at the beginning of next year's fill season. It will take at least two average years or one big runoff year to refill.

- b. Evaluation of Wolford Mountain hydroelectric potential.

In 2001, the River District (through the Enterprise) applied for and received a FERC study permit to evaluate the addition of a hydroelectric plant to the project. In late 2001, we contracted an engineering consultant, Harza/Montgomery-Watson, to prepare a feasibility study. We expect to discuss power marketing options with the Board at the April 2002 meeting.

January to April 2002 Update

On March 7th the Water Supply Projects Committee heard a presentation of our ongoing feasibility study on the Wolford Mountain hydroelectric potential. The Committee directed that we continue the study process up to the approved contact amount. We had a recent meeting with the U.S. Fish & Wildlife Service that went well.

April to July 2002 Update

We submitted the second six month report to FERC in May. Our current work includes obtaining a more detailed cost estimate and addressing potential environmental issues.

- c. Water marketing program administration.

The Enterprise water marketing program is continuing to operate smoothly. As of the end of December 2001, we have issued contracts for 2,000 a.f. Our Eagle River supplies, limited to 300 a.f. are the tightest.

In 2002, we plan on taking a close look at the long term financial issues associated with the Enterprise. We are due for an updated O&M calculation and the Board may want to consider reviewing its pricing policy for future contracts.

April to July 2002 Update

Our supplies are tight this year, but we will meet all contract demands. A major question facing the Enterprise (and all other water providers) is; what does the 2002 drought mean for our marketing program? Right now, it is a little early to answer that question. If 2003 continues to be dry, there could be significant changes. Until the drought is over, we won't know when it's over. (Did Yogi Berra or Yogi Berra say something like that, or was it over when the fat lady sings?)

- d. Ruedi Reservoir futures study.

Our Ruedi work will continue into 2002. The focus will be fishing/environmental issues on the Fryingpan River. We have also begun to take a look at the 3,000 a.f. Fry-Ark-Twin Lakes exchange which is supposed to benefit stream flows in the Upper Roaring Fork River.

- e. Eagle Park Reservoir yield enhancement.

Through our participation in the Eagle Park Reservoir Company, we are looking at several ways of enhancing the Eagle Park Reservoir yield. The reservoir has a capacity of 3,300 a.f. and an existing yield of 2,019 a.f.

Additionally, in late 2001, the Enterprise Board approved working through the Eagle Park Reservoir Company to study stream stability issues on the Upper Eagle River. In return, the Eagle River Watershed Forum, which has access to monies set aside for environmental mitigation will consider participating in the next phase of the Eagle Park Project to acquire water for environmental purposes.

- f. Colorado Springs.

A new issue that surfaced in 2001 as the result of the Green Mountain substitution is a request by Colorado Springs for its own version of a substitution agreement. In mid-2001, we reached agreement with Colorado Springs on a "framework" for the negotiations. What Colorado Springs has to offer the West Slope is water for the Upper Blue River Basin above Dillon Reservoir.

January to April 2002 Update

We've made considerable progress toward a long-term substitution agreement with Colorado Springs. On March 27th, we had a meeting with Reclamation, Denver, Colorado Springs, Northern, Middle Park, Summit County and Breckenridge. The long-term agreement is still several years away, but I believe we have reached agreement on an interim approach for 2002. We will be addressing the details of negotiations during the General Counsel's report during both the regular and Enterprise Board meetings.

April to July 2002 Update

We've been making continuing progress with Colorado Springs, but at the last minute, Denver Water objected to agreeing to the basic principles. We're trying to address what we can, but I don't believe we have the time to reach an agreement on the long term issues.

GUNNISON RIVER BASIN (DIVISION 4)

The Gunnison River is the state's second largest stream in terms of mean annual flow. The average annual undepleted flow at Grand Junction is approximately 2.4 million a.f./year. The Gunnison River Basin and the lower portion of the Dolores River Basin create Water Division 4. Only that portion of the Dolores River which lies in Mesa County is included within the River District's boundaries.

The Gunnison River Basin has been dominated by federal water development efforts, including the Uncompahgre Project, Bostwick Park Project, Smith Fork Project, Dallas Creek Project, Paonia Project and the Aspinall Unit. The Aspinall Unit contains three reservoirs: Blue Mesa, Morrow Point and Crystal. At nearly one million acre feet of capacity, Blue Mesa Reservoir is the largest in the State. Agricultural uses and reservoir evaporation are major consumptive uses within the Gunnison Basin. Agriculture consumes approximately 460,000 a.f./year out of a total Basin use of approximately 490,000 a.f./year. The lower 60 miles of the Gunnison River is designated critical habitat for endangered fish.

There are no major transmountain diversions out of the Gunnison River. There are three small, older transmountain diversions into the Rio Grande Basin.

RIVER DISTRICT GUNNISON BASIN RESOURCES

The River District no longer holds any conditional water rights in the Gunnison River Basin. At one time the River District held a number of rights, which were ultimately conveyed to either the United States or conservancy districts (e.g., the Upper Gunnison Project's conditional rights).

The River District holds a contractual interest in the releases from Taylor Park Reservoir through its participation in the Taylor Park Reservoir exchange. In 1975 the River District, Upper Gunnison, Uncompahgre Valley Water Users Association, and the United States Bureau of Reclamation signed the

original Taylor Park exchange agreement. That agreement was supplemented in 1990 when the same parties signed an agreement conveying the Taylor Park Reservoir refill right to the United States.

In 1961 the River District conveyed the primary water rights for the Aspinall Unit (then referred to as the Curecanti Unit) to the United States. The assignment included a provision that the United States would operate the Aspinall Unit in a manner consistent with the development of water within the Gunnison River Basin.

SUMMARY OF MAJOR BASIN ISSUES

The major issues in the Gunnison River Basin are associated with the operation of the major federal projects in the Gunnison Basin, the possible effects of the Union Park Water Authority to obtain a water supply contract from Blue Mesa Reservoir and the preparation of a basin-wide biological opinion.

In the early 1900's the Bureau of Reclamation constructed the Gunnison Project (also referred to as the Uncompahgre Valley Project because it is operated by the Uncompahgre Valley Water Users Association) which diverts Gunnison River water through a tunnel into the Uncompahgre Valley. In the 1930's the 106,00 a.f. the Taylor Park Reservoir was added to the project to provide late season water. Taylor Park Reservoir is located on the Taylor River, upstream from the City of Gunnison.

In the 1930's the United States withdrew lands from the Gunnison Gorge and created the Black Canyon National Monument. The southern boundary of the Monument is just downstream of the Gunnison Tunnel Diversion Dam. In the late 1970's the Colorado Supreme Court awarded the United States a federal reserved water right for the Monument. This right has not yet been quantified.

In the 1960's the Bureau of Reclamation built a three-reservoir complex now referred to as the Aspinall Unit. The Aspinall Unit is just upstream of the Gunnison Tunnel Diversion. The purposes of the Aspinall Unit include compact storage, power generation, water supply and recreation. Prior to the construction of the project, the River District and the Upper Gunnison River Water Conservancy District obtained an agreement from the United States subordinating the project to 60,000 a.f. of upstream in-basin depletions. A formal subordination agreement was executed in 2000.

The Aspinall Unit is currently undergoing a Section 7 Consultation review and PBO discussions will be getting underway. Issues surrounding the operation of the Aspinall Unit, the Section 7 consultation on the Aspinall Unit, the quantification of the Black Canyon National Monument water rights, interpretation of the subordination commitment and delivery of Aspinall water to the Lower Gunnison River for fish purposes are all intertwined.

ONGOING PROJECTS/ACTIONS

I. Participation in legal proceedings/negotiations to quantify the Black Canyon rights.

In early 2001, the United States filed an application in Division 4 to quantify its reserved right for the Black Canyon National Park (this right was previously decreed in the 1980s when the Park was a monument). Because of the size and location of the Black Canyon right and the potential 1933 priority date, it has the potential to disrupt existing water uses throughout the Gunnison Basin.

I believe that the ultimate solution is a political settlement, however there are numerous parties to this case with disparate views, including Front Range water users. A settlement will be difficult to reach.

The case is complicated by the need for additional hydrologic modeling (which may take several years) and unresolved venue issues. The Black Canyon right and the operation of the Aspinall Unit are closely linked.

January to April 2002 Update

The State of Colorado, River District, Upper Gunnison River Water Conservancy District and other parties in the case have sent the United States a proposed stipulation for a stay. The Justice Department attorney handling the case has said that he will try to provide a response by about the end of April.

In late February, the Litigation Committee approved a contract with Mussetter Engineering, Inc. to provide engineering services in the Black Canyon case.

April to July 2002 Update

The technical work is essentially complete. We will be discussing the results in a future General Counsel's report. We have not yet heard anything back from the United States on the proposed stipulation. Upper Gunnison has now moved to refer the case to Judge Patrick in an effort to move the case along.

2. Participation in the Gunnison Basin (SWAT 4) process to discuss/resolve water administration issues.

The Gunnison Basin (SWAT 4) process was patterned after the Division 5 process. It has become the forum to address some of the technical and administrative issues raised by the Black Canyon application.

April to July 2002 Update

The Gunnison Basin SWAT effort has been focused on river administration issues. This year, we saw the first full Gunnison Tunnel call in decades. The River District and the Upper Gunnison River Water Conservancy District have been funding Jim Slattery of Helton & Williamsen to prepare a more detailed river administration spreadsheet. The spreadsheet work is under the direction of the Division 4 Engineer. The initial priority was to complete the section of the spreadsheet for the Basin above the Gunnison Tunnel, but ultimately we'll have to include the entire basin.

Like the Colorado River process, there are a number of difficult to resolve issues, including how to evacuate (clear) Blue Mesa water stored in Taylor Park by exchange. At the last SWAT 4 meeting, we began the discussion of what to do with the Redlands call this winter. I suggested that the River District will probably want some help from

the other major organizations, if it is necessary to buy down (or out) the winter Redlands call.

3. Work with the Upper Gunnison River Water Conservancy District to identify augmentation options.

We are continuing to work very closely with the Upper Gunnison District to address augmentation/downstream call issues. In late 2001, Upper Gunnison had a very productive meeting with the Uncompahgre Valley Water Users Board. The River District will be participating in future discussions representing water users upstream of the Gunnison Tunnel diversion, but downstream of the Upper Gunnison District.

In addition to the Gunnison Tunnel (Uncompahgre Project) rights, the augmentation strategy must also address the Redlands call (located at the very bottom of the river). In 2001, I believe we made some progress to get the CWCB to acknowledge that over the years both Reclamation and the CWCB have made use of Aspinall to remove downstream calls as an operational (moral?) commitment.

April to July 2002 Update

The 2002 year has clearly demonstrated that there needs to be a comprehensive basin-wide call strategy. The big questions are: 1) how much flexibility will Upper Gunnison have with the Taylor Park second fill water? 2) how do we address the diversions downstream of Upper Gunnison, but upstream of the tunnel? 3) what will be the role of the Aspinall Unit (Blue Mesa)?; and 4) how do we address the Redlands winter call?

4. Implementation of subordination agreement reporting requirements.

In 2001, the River District and the Upper Gunnison District submitted the first annual report which lists the water rights benefitting from the subordinates (and estimates the consumptive use). Now that we've completed the first report, future annual reports should be easier.

In the process of preparing the report, our consultant discovered that there are many undecreed diversions upstream of the Aspinall Unit (over 400). We need to meet with the Division 4 Engineer and the Upper Gunnison District to discuss how (or if) to address this issue.

January to April 2002 Update

Like 2001, we again asked for an extension of the deadline for filing the annual subordination report. The data from the State Engineer's Office necessary to prepare the report will not be available for another month or two. At some point in the future, we may want to consider a simple amendment to the agreement changing the due date for the report.

5. Participation in the Aspinall and Taylor Park exchange annual operations meetings.

As a party to the 1975 Taylor Park Reservoir Exchange Agreement, River District staff participate in the annual meetings on the operation of Taylor Park Reservoir. One of our major concerns has been to protect the integrity of the Taylor Park Reservoir second fill, however on operational issues, we almost always defer to Uncompahgre and Upper Gunnison.

January to April 2002 Update

The Gunnison Basin is even drier than the Colorado River Basin. We expect that inflow into Taylor Reservoir will be less than 60%. Because of storage available in the Aspinall Unit, Taylor Reservoir and Dallas Creek Reservoir there will be sufficient water supply on the major rivers. However, ditches on the smaller tributaries will have significant shortages.

April to July 2002 Update

Inflow to Taylor Park Reservoir was about 20% of normal, however there was still enough water in the system to provide the Uncompahgre Valley water users with a full first fill (106,000 a.f.) and Upper Gunnison with about 28,000 a.f. of second fill water. This second fill water allowed Upper Gunnison to keep the Gunnison Tunnel call off the basin through early July.

6. Participation in the Gunnison River PBO process.

In mid-2001, the U.S. Fish & Wildlife Service (Service), State of Colorado and other parties all agreed that progress on a Gunnison Basin PBO was not possible until further progress is made on the quantification of the Black Canyon Reserved Right. The problem is simple, the Gunnison Basin PBO will utilize releases from the Aspinall Unit as the primary, reasonable and prudent (mitigation measure). However, the Black Canyon rights (as filed) are senior to the Aspinall Unit, thus until the Black Canyon rights are further quantified or subordinated to the Aspinall Unit, we have no idea how much water or flexibility is available for Aspinall to meet ESA needs.

7. Enterprise Activities:

a. Evaluation of augmentation needs and options in the North Fork Basin.

In 2001, we began working with North Fork water users to look at future water demands and supply options.

January to April 2002 Update

In March, North Fork parties met with Greg Walcher and the CWCB staff to explore state funding options.

YAMPA / WHITE RIVER BASINS (DIVISION 6)

The Yampa and White Rivers are tributaries to the Green River, and, together with the North Platte River Basin, are included within Water Division 6. The North Platte (Jackson County) is not included in the River District's boundaries. Development on the White and Yampa Rivers has been primarily agricultural. The Yampa River provides water supplies for the Hayden and Craig coal-fired power stations. There are no major transbasin diversions out of either basin (there are several small transbasin ditches) and there are no Bureau of Reclamation projects in either basin.

The mean annual natural flow of the Yampa River at Maybell, Colorado is approximately 1.2 million acre feet per year. The Little Snake adds another 440,000 a.f. per year. The White River at the state line has a mean annual natural flow of approximately 570,000 a.f./year. Total consumptive uses in the Yampa River average about 120,000 a.f./yr.; the Little Snake depletion averages about 15,000 a.f./yr., and the White River depletions average about 60,000 a.f./yr. The Yampa River below Craig and the White River below Taylor Draw Reservoir are designated critical habitat.

RIVER DISTRICT RESOURCES

The River District holds a number of conditional rights in the Yampa and White River Basins. Diligence on most of the District's Yampa River decrees was completed in 1998 and will be due again in 2004. Over the years the River District has conveyed a number of its conditional rights to projects within the Basin. Elkhead Reservoir, YamColo Reservoir and Stagecoach Reservoir are, in part, operated on decrees that were originally obtained by the River District.

SUMMARY OF MAJOR ISSUES

The Yampa and White River Basins have not experienced the same growth-related pressures as the Colorado or Gunnison Basins. The mainstem of the Yampa River below Yampa has never been administered and the mainstem of the White River below Meeker is rarely administered.

However, both basins are subject to the same pressures related to the recovery of endangered fish species. The U. S. Fish & Wildlife Service (Service) has often stated that the Yampa River is critical to the ultimate recovery and delisting of the endangered native fishes. The role of the Yampa is not so much to provide actual habitat (there are spawning sites in Yampa Canyon), but to maintain the hydrologic conditions in the Green River. Native fish populations in the Green River system are higher and more stable than those in the Colorado.

Over the last decade, our objective has been to provide a framework where existing and future water development in the Yampa River can continue unimpeded while recognizing the important role of the Yampa in recovering the fish. The Yampa River Management Plan and associated PBO is the vehicle designed to accomplish this task.

NEW INFORMATION

In late February 2002, the Three Forks Ranch which consists of approximately 250,000 acres located in Colorado and Wyoming in the Little Snake drainage, filed a lawsuit in the Colorado Federal District Court challenging the legality and operation of the Cheyenne Transmountain Diversion Project.

Cheyenne diverts water from the headwaters of the Little Snake River in Wyoming into the North Platte River Basin where it exchanges this water for Douglas Creek water (a tributary of the North Platte closer to Cheyenne). Three Forks Ranch is challenging the Cheyenne Project claiming that it is illegal under the 1948 Upper Colorado River Basin Compact and that Cheyenne has been diverting an average of over 17,000 a.f. per year, but only actually using about 4,300 a.f. per year (by exchange). A representative of Three Forks Ranch (Glenn Porzak or an associate) will be making a presentation to the Board.

A Colorado rancher, Randy Menge, who owns water rights farther downstream on the Little Snake, will be addressing the Board on a 1948 compact issue impacting his water rights. The 1948 compact divides the Little Snake into an Upper Basin (above Slater Creek) and a lower Basin (below Slater Creek). Water rights in the Lower Basin cannot exercise (place a call) priorities against the rights in the Upper Basin. Mr. Menge believes that the Lower Basin water users only agreed to this provision under the promise of a large upstream reservoir. This reservoir was never built. The CWCB staff (Randy Seaholm) believes that based on that agency's records, Mr. Menge is probably right, but the question is, what can we do now? NOTE: The River District does not have much in its minutes on this issue. The Yampa Basin did not join the District until 1955.

April to July 2002 Update

The Little Snake River issues are now in front of the Federal District Court. In early June, the Upper Colorado River Compact Commission file a brief with the court expressing the view that only signatory states to the Compact can take interstate issues to court. The River District will be submitting a reply brief. Peter Fleming will have more information on this matter in his report.

SPECIFIC DIVISION 6 PROJECTS /ACTIONS

1. Completion of the Yampa River management plan and programmatic biological opinion.

In 2001, the U.S. Fish & Wildlife Service (Service) issued a final draft Yampa River management plan. It also held NEPA scoping hearings in late November on the plan. We expect that the Service will complete NEPA on the plan in mid-2002. The water acquisition part of the plan will require separate NEPA compliance.

April to July 2002 Update

We've invited Bob Muth and Gerry Roehm to the July Board meeting to address Recovery Program issues in the Yampa River Basin and the status of the Yampa Basin PBO NEPA process. Tom Pitts will also be making a presentation to the Board.

2. Evaluation of Yampa and White River Basins conditional water rights.
3. Continued cooperation with Rio Blanco Water Conservancy District on sediment reduction programs.

Several years ago, the River District began working closely with the Rio Blanco Water Conservancy District to address sedimentation problems at Taylor Draw Reservoir. We have budgeted additional funds for 2002.

The River District and the Rio Blanco Water Conservancy District have a unique relationship. In the early 1980s, the River District (through the vehicle of a subdistrict) built Taylor Draw Reservoir. In the late 1980s, the reservoir and all related assets were conveyed to Rio Blanco.

4. Enterprise Activities:

- a. Enlargement of Elkhead Reservoir for both endangered fish augmentation and future human uses.

At the institutional level, we made significant progress on the Elkhead enlargement. The CWCB awarded the Enterprise a \$500,000 grant (the contract was finally signed in late December). We began collecting the field work necessary for the NEPA process and we have almost completed an Intergovernmental Agreement (IGA) with the City of Craig providing for the potential enlargement. The proposed IGA will go to Craig in early January. The River District will consider the IGA via a conference call on January 3rd.

2002 will be a very busy year. Our goals are to facilitate the closing of the Craig/CDOW contract. This will finalize the transfer of the existing reservoir from the State of Colorado to Craig and allow us to formally initiate the NEPA process.

January to April 2002 Update

Both the City of Craig and the River District executed the IGA in late January. Craig is in the process of closing on the three Bitterbrush properties that will (when purchased) complete Craig's obligation to the CDOW and allow formal transfer of the reservoir to Craig.

We have been working on the other institutional arrangements necessary to move the project forward. The details of the negotiations will be discussed with the Enterprise Board during the General Counsel's report.

April to July 2002 Update

Dan Birch and David Hallford have been working on an agreement with the power plant participants. The status of this agreement will be discussed in the Enterprise meeting. The land sales that the City of Craig have under contract for conveyance to the CDOW are still not completed. This is the final step in the conveyance of Elkhead Reservoir to Craig.

- b. Continued Work on the Yampa Basin Small Reservoir Study.

The River District through the Enterprise, has been studying small reservoir sites for several years. Finding a cost-effective site with a good water supply capability has been a challenging task. Our goal in 2002 will be to bring the current study phase to completion so the Board can determine how to proceed further.

January to April 2002 Update

In late March, Dan Birch and T. Wright Dickinson met with Larry Hicks who works for a Wyoming soil conservation district in the Little Snake drainage. They discussed the possibility of a joint Colorado-Wyoming small reservoir project on lower Willow Creek. At this point, Wyoming is funding a feasibility study on Willow Creek and another site. Willow Creek flows into the Little Snake from the south (Colorado).

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